From: John Kim
To: Bruno Amara
Subject: 44% equity injection
Date: Thursday, April 27, 2017 4:33:34 PM

Hi Bruno,

I did ask Cindy Veinot the question about why is it that the 44% capital injection had to be equity-based and it couldn't be debt capital. She didn't have an answer. So I'm eager to get the Appendix from Ken K. who said he would send it.

John

Y. John Kim
Director, Electricity Finance Branch
Corporate & Electricity Finance Division
Ontario Financing Authority
Ph: 416-212-6996
Email: john.kim@ofina.on.ca

From: John Kim
To: Shajee Kathirgamanathan
Subject: Debt Funding - Tracking Sheet_v2.xlsx
Date: Wednesday, May 30, 2018 1:30:27 PM
Attachments: Debt Funding - Tracking Sheet_v2.xlsx

When you're done with the decks, I would like you to take a look at this. See if it looks okay to you. I have some questions on the second and third tabs.

Summary:

Total Funding	Term Debt Takeout
Senior debt	900,000,000.00
Subordinated	688,235,000.00
Junior subordinated	176,471,000.00
Total	**1,764,706,000.00**

Date Issued	Debt Type	Amount	Interest Rate
February 9, 2018	Senior debt	500,000,000.00	3.357%
February 9, 2018	Subordinated	382,353,000.00	3.637%
February 9, 2018	Junior subordinated	98,040,000.00	3.957%
April 24, 2018	Senior debt	400,000,000.00	3.520%
April 24, 2018	Subordinated	305,882,000.00	3.834%
April 24, 2018	Junior subordinated	78,431,000.00	4.214%

Issuing Month	Weighted Average	Ont Interest Rate - 30yr	Notes
February 9, 2018	3.526%	3.23%	(Feb 12 rate)
April 24, 2018	3.712%	3.23%	(Apr 24 rate)
Total	**3.609%**		

Maturity Date	Series Number	Comments	Source
May 15, 2033	2018-1		Link
May 15, 2033	2018-1		Link
May 15, 2033	2018-1		Link
May 15, 2038	2018-2		LInk
May 15, 2038	2018-2		LInk
May 15, 2038	2018-2		LInk

April 19, 2018 Debt Financing

IESO Asset Purchase:
460,000,000.00
149,000,000.00
609,000,000.00
Remaining Balance from Previous:
198,607,000.00
Starting Balance:
807,607,000.00

Warehouse Funding			**Starting Balance**
Senior debt	B=51% x A		411,879,570.00
Subordinated	39/51 X B		314,966,730.00
Junior subordinated	10/51 X B		80,760,700.00
			807,607,000.00
Term Debt Funding			
Senior debt		51.00%	
Subordinated		39.00%	
Junior subordinated		10.00%	
			-
Total Funding			
Senior debt		51.00%	411,879,570.00
Subordinated		39.00%	314,966,730.00
Junior subordinated		10.00%	80,760,700.00
			807,607,000.00

Term debt takeout		
(980,392,156.86)	**Ending Balance**	
(400,000,000.00)	11,879,570.00	51%
(305,882,000.00)	9,084,730.00	39%
(78,431,000.00)	2,329,700.00	10%
(784,313,000.00)	23,294,000.00	
400,000,000.00	400,000,000.00	51%
305,882,000.00	305,882,000.00	39%
78,431,000.00	78,431,000.00	10%
784,313,000.00	784,313,000.00	
-	411,879,570.00	51%
-	314,966,730.00	39%
-	80,760,700.00	10%
0.00	807,607,000.00	

February 6, 2018 Debt Financing

Initial Balance:
1,179,000,000.00

Warehouse Funding			**Initial Balance**
Senior debt	B=51% x A		601,290,000.00
Subordinated	39/51 X B		459,810,000.00
Junior subordinated	10/51 X B		117,900,000.00
			1,179,000,000.00
Term Debt Funding			
Senior debt		51.00%	
Subordinated		39.00%	
Junior subordinated		10.00%	
			-
Total Funding			
Senior debt		51.00%	601,290,000.00
Subordinated		39.00%	459,810,000.00
Junior subordinated		10.00%	117,900,000.00
			1,179,000,000.00

Term debt takeout (980,392,156.86)	Ending Balance	
(500,000,000.00)	101,290,000.00	51%
(382,353,000.00)	77,457,000.00	39%
(98,040,000.00)	19,860,000.00	10%
(980,393,000.00)	198,607,000.00	
500,000,000.00	500,000,000.00	51%
382,353,000.00	382,353,000.00	39%
98,040,000.00	98,040,000.00	10%
980,393,000.00	980,393,000.00	
-	601,290,000.00	51%
-	459,810,000.00	39%
-	117,900,000.00	10%
0.00	1,179,000,000.00	

From: Shajee Kathirgamanathan
To: John Kim
Subject: FHP Calculation *DRAFT*
Date: Thursday, April 19, 2018 2:35:16 PM
Attachments: OFHP supporting data for OFA_v0.1._EFB-FinancingPlanUpdate.xlsx

---

I'll come by to discuss.

Thanks,
Shajee

Shajee Kathirgamanathan
Senior Advisor
Electricity Finance Branch, Corporate and Electricity Finance Division
Ontario Financing Authority
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

NOTE: *Draft version for Comment. Inputs and assumptions may not be consistent with best information available.*

Attempted Recreation of Energy's Octo

INPUTS:

Calculation for Scenario Analysis		
Provincial Borrowing	3.20%	*<-- Change this number to test differ*
Basis Points	00 bp	*<-- Number used for scenario analys*
Total (Interest Rate)	3.2000%	
Model Circularity	ON	

OUTPUTS:

Interest Calculation		
Interest Rate:	3.20%	
Year Interest Payments Stop:	~~2047~~	*<-- To Be Update*
Total Interest Paid:	8,887	*NOTE: Calculations do not match En*

SENSITIVITIES: *Determine sensitivites at various rates*

		Total Interest Paid
Provincial Borrowing	Provincial Borrowing +	Provincial Borrowing +
8,887	0 bp	30 bp
3.12%	8,542	9,885
3.50%	10,275	11,857
3.75%	11,578	13,362
4.00%	13,047	15,075
4.25%	14,716	17,030
4.50%	16,619	19,200

Sensitivites and difference compared to provincial borrowing

	Difference in Interest Paid Compared to Provin	
	Provincial Borrowing + 0 bp	Provincial Borrowing + 30 bp
3.12%	-	1,343
3.50%	-	1,582
3.75%	-	1,784
4.00%	-	2,028
4.25%	-	2,314
4.50%	-	2,580

ISSUANCE ANALYSIS:

		Weighted Average Borrowing Calcul
Tranche A - Senior Debt	51%	FHT:
Tranche B - Sub Debt	39%	OPG via Province
Tranche C - Jr. Sub Debt	10%	OPG via Province & Cap Mkts
		WEIGHTED AVERAGE:

FHT Weighted Average Rate:	3.660%	
FHT Interest Paid	11,088	
Provincial Borrowing at Issuance:	3.20%	*Source: OFA*
Provincial Interest Paid	8,887	
Difference in Interest:	**2,201**	

ɔber 19 Analysis by EFB

ɾent interest rates
ɨis

ergy's methodology exactly in Developing FAA/RA. Subject to updates and refinement.

Provincial Borrowing + 40 bp	Provincial Borrowing + 50 bp
10,374	10,879
12,432	13,047
14,017	14,716
15,821	16,619
17,874	18,750
20,124	21,083

cial Borrowing:	
Provincial Borrowing + 40 bp	Provincial Borrowing + 50 bp
1,832	2,337
2,156	2,771
2,439	3,138
2,774	3,573
3,158	4,034
3,505	4,464

ation	
3.520%	*Source: Debt Issuance*
3.74%	*Source: National Bank of Canada - Indicative Pricing (20yr)*
4.04%	*Source: National Bank of Canada - Indicative Pricing (20yr)*
3.660%	

INPUTS:

Calculation for Scenario Analysis	
Provincial Borrowing	4.50%
Basis Points	00 bp
Total (Interest Rate)	4.50%

OUTPUTS:

Interest Calculation	
Interest Rate:	4.50%
Year Interest Payments Stop:	2047
Total Interest Paid:	14,308
Peak Debt:	17,612
Annual Paydown Amount:	(1,278)

SCENARIOS:

	3.12%	
Interest Rate:	3.12%	
Year Interest Payments Stop:	2047	
Total Interest Paid:	9,038	
Peak Debt:	16,348	
Annual Paydown Amount:	(1,038)	
Difference in Interest Paid:		1,4

Scenario Analysis with EFB Model

3.12% + 40bp	4.50%	4.5% + 50bp
3.52%	4.50%	5.00%
2047	2047	2047
10,477	14,308	16,438
16,705	17,612	18,093
(1,104)	(1,278)	(1,375)
39	2,130	

OFHP debt and interest projections, by calendar year

$ nominal million	2017
FAA w/ Interest, Fees, Readjustment Principle Recovery, Readjustment*	(1,396)
Interest Paid	32
Closing Debt Balance	1,428

*Delta between IESO GA cost forecast and Total GA paid by ratepayer, inclusive of interest
Notes: model assumes interest rate of 4.5% and data is exclusive of OPG financing fees

Date: October 19, 2017
Source: Ministry of Energy

Attempted recreation by EFB ($ nominal Million)

Interest:
Year Interest Payments Stop:
Total Interest Paid - Positive:

	2017
*FAA w/ Interest, Fees, Readjustment Principle Recovery, Readjustment**	
(Exactly from above)	1,396
Interest Paid (attempted recreation) [EFB Calculation]	23
Closing Debt Balance [EFB Calculation]	1,419
	-9.44

Attempted recreation and extrapolation by EFB ($ nominal Million)

Interest:
Year Interest Payments Stop:
Total Interest Paid - Positive:
Peak Debt:

	2017
*FAA w/ Interest, Fees, Readjustment Principle Recovery, Readjustment**	
(Exactly from above)	1,396

Reduction

Opening Debt:	0
IN YEAR ANALYSIS	
In-Year Interest:	29
In-Year Accumulated Debt (Excl Interest):	1,396
In-Year - End Debt:	1,425
Debt Interest from Prior Year:	0
Total Accumulated Interest:	29
Accumulated Debt:	1,396
Debt Reduction:	
Closing Debt:	1,425

	2018	2019	2020	2021	2022
	(2,189)	(2,296)	(2,414)	(2,204)	(1,700)
	116	225	343	466	577
	3,734	6,254	9,011	11,681	13,958

3.20%
2047
8,887

	2018	**2019**	**2020**	**2021**	**2022**
	2,189	2,296	2,414	2,204	1,700
					Additional Borrowing/F
	82	157	239	322	396
	3,690	6,143	8,795	11,321	13,417
	-43.84	***-111.24***	***-215.69***	***-359.39***	***-540.44***

4.50%
2047
14,308
17,612

	2018	**2019**	**2020**	**2021**	**2022**
	2,189	2,296	2,414	2,204	1,700

1,425	3,724	6,235	8,980	11,634
46	48	50	46	36
2,189	2,296	2,414	2,204	1,700
2,235	2,344	2,464	2,250	1,736
64	168	281	404	524
110	216	331	450	559
3,614	6,020	8,649	11,184	13,334
3,724	6,235	8,980	11,634	13,894

2023	2024	2025	2026	2027
(1,050)	(492)	(61)	79	129
667	733	778	814	851
15,674	16,899	17,677	18,491	19,342

2023	**2024**	**2025**	**2026**	**2027**
1,050	492	61	(79)	(129)
		Cross Over Point:	(61)	
		Borrrowing Still Required:		79	129
Repayments [Reason Unknown, Plug]:				
453	493	517	534	551
14,921	15,906	16,423	16,957	17,509
-753.75	***-993.43***	***-1254.14***	***-1533.84***	***-1833.64***

2023	**2024**	**2025**	**2026**	**2027**
1,050	492	61		

			-1278	-1278
13,894	15,591	16,794	17,612	17,127
22	10	1	0	0
1,050	492	61	0	0
1,072	502	62	0	0
625	702	756	793	771
647	712	757	793	771
14,944	16,083	16,855	17,612	17,127
			(1,278)	(1,278)
15,591	16,794	17,612	17,127	16,620

2028	2029	2030	2031	2032
354	714	1,251	1,188	1,348
883	896	888	872	854
19,904	19,904	19,541	19,226	18,732

2028	**2029**	**2030**	**2031**	**2032**
(354)	(714)	(1,251)	(1,188)	(1,348)
33.45	(182)			
564	563	546	524	500
17,752	17,419	16,714	16,051	15,203
-2152.52	***-2485.49***	***-2826.88***	***-3174.90***	***-3528.88***

2028	**2029**	**2030**	**2031**	**2032**

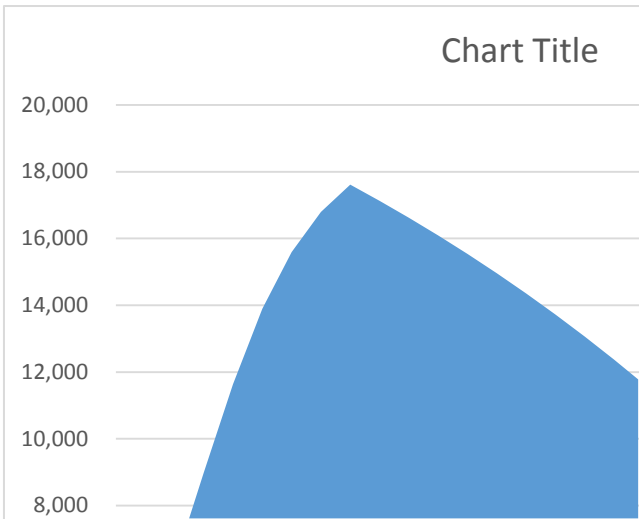
-1278	-1278	-1278	-1278	-1278
16,620	16,090	15,537	14,958	14,354
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
748	724	699	673	646
748	724	699	673	646
16,620	16,090	15,537	14,958	14,354
(1,278)	(1,278)	(1,278)	(1,278)	(1,278)
16,090	15,537	14,958	14,354	13,722

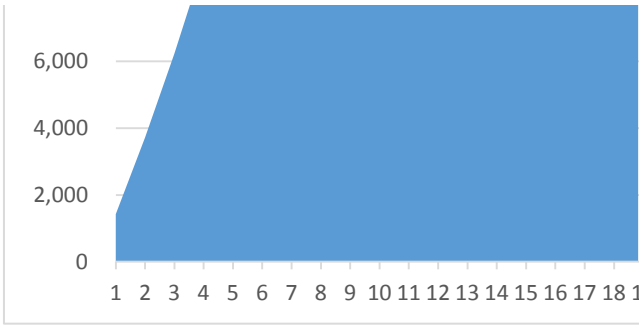
2033	2034	2035	2036	2037
1,419	1,901	2,087	2,128	2,062
830	791	736	673	607
18,143	17,033	15,682	14,227	12,773

2033	**2034**	**2035**	**2036**	**2037**
(1,419)	(1,901)	(2,087)	(2,128)	(2,062)
471	433	382	326	268
14,255	12,787	11,082	9,280	7,486
-3887.23	***-4246.00***	***-4600.19***	***-4947.37***	***-5286.61***

2033	**2034**	**2035**	**2036**	**2037**

-1278	-1278	-1278	-1278	-1278
13,722	13,062	12,372	11,651	10,897
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
617	588	557	524	490
617	588	557	524	490
13,722	13,062	12,372	11,651	10,897
(1,278)	(1,278)	(1,278)	(1,278)	(1,278)
13,062	12,372	11,651	10,897	10,110



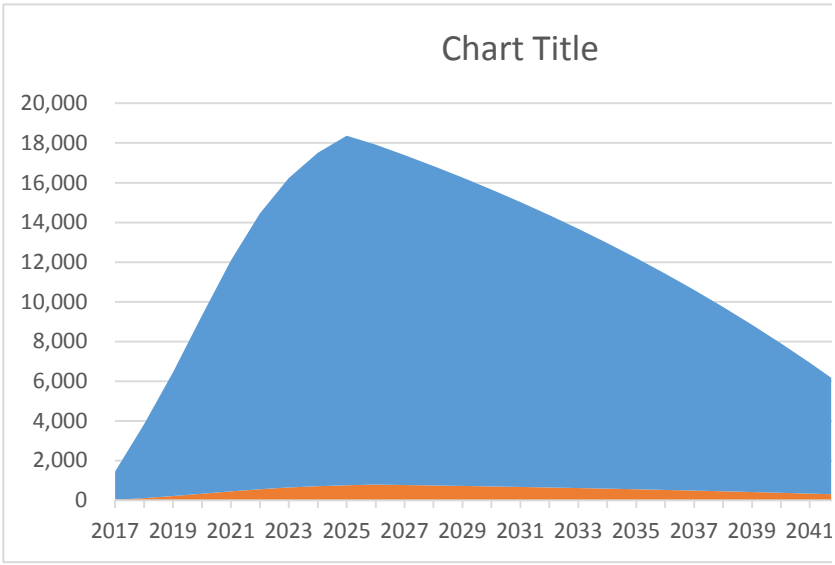

6,000
4,000
2,000
0
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 1

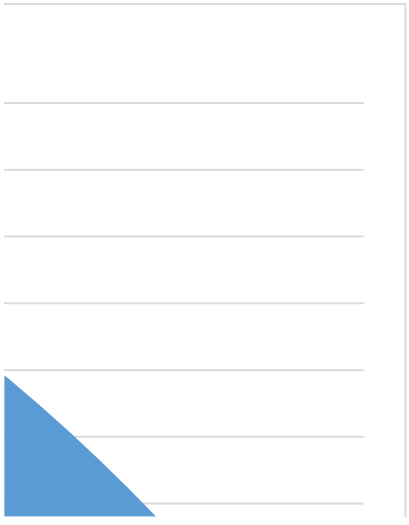
2038	2039	2040	2041	2042
2,099	1,796	1,527	1,392	1,379
540	475	420	372	326
11,214	9,893	8,786	7,766	6,713

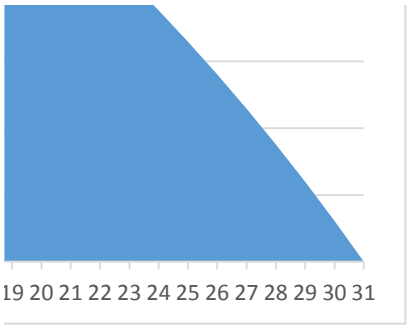
2038	**2039**	**2040**	**2041**	**2042**
(2,099)	(1,796)	(1,527)	(1,392)	(1,379)
209	153	104	60	17
5,597	3,954	2,530	1,198	(165)
-5616.98	***-5939.06***	***-6255.59***	***-6568.36***	***-6877.61***

2038	**2039**	**2040**	**2041**	**2042**

-1278	-1278	-1278	-1278	-1278
10,110	9,287	8,427	7,529	6,590
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
455	418	379	339	297
455	418	379	339	297
10,110	9,287	8,427	7,529	6,590
(1,278)	(1,278)	(1,278)	(1,278)	(1,278)
9,287	8,427	7,529	6,590	5,609






19 20 21 22 23 24 25 26 27 28 29 30 31

2043	2044	2045	2046	2047
1,310	1,341	1,357	1,526	2,034
279	231	179	121	45
5,682	4,571	3,394	1,989	0

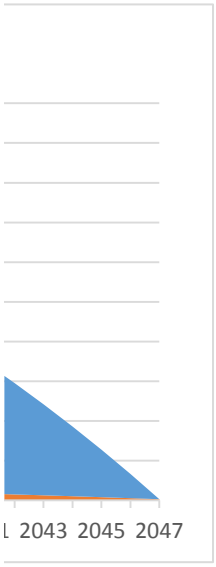


2043	**2044**	**2045**	**2046**	**2047**
(1,310)	(1,341)	(1,357)	(1,526)	(2,034)
(27)	(71)	(117)	(167)	(231)
(1,501)	(2,913)	(4,387)	(6,080)	(8,345)
-7183.14	***-7484.47***	***-7780.48***	***-8069.06***	***-8344.61***



2043	**2044**	**2045**	**2046**	**2047**	**2048**	**2049**

-1278	-1278	-1278	-1278	-1278	-1278	-1278
5,609	4,584	3,512	2,393	1,223	0	(1,278)
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
252	206	158	108	55	0	(57)
252	206	158	108	55	0	(57)
5,609	4,584	3,512	2,393	1,223	0	(1,278)
(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)
4,584	3,512	2,393	1,223	0	(1,278)	(2,613)



2050	2051	2052	2053	2054	2055	2056	2057	2058

-1278	-1278	-1278	-1278	-1278	-1278	-1278	-1278	-1278
(2,613)	(4,008)	(5,466)	(6,990)	(8,582)	(10,246)	(11,985)	(13,802)	(15,700)
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
(118)	(180)	(246)	(315)	(386)	(461)	(539)	(621)	(707)
(118)	(180)	(246)	(315)	(386)	(461)	(539)	(621)	(707)
(2,613)	(4,008)	(5,466)	(6,990)	(8,582)	(10,246)	(11,985)	(13,802)	(15,700)
(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)
(4,008)	(5,466)	(6,990)	(8,582)	(10,246)	(11,985)	(13,802)	(15,700)	(17,685)

2059	2060	2061	2062	2063	2064	2065

-1278	-1278
(17,685)	(19,758)
0	0
0	0
0	0
(796)	(889)
(796)	(889)
(17,685)	(19,758)
(1,278)	(1,278)
(19,758)	(21,925)

Instructions: An updated projection of the annual cost of the refinancing portion of the Fa

Please contact Matt Gurham (mgurham@fao-on.org) if assistance is required.

Actual and Projected Annual Global Adjustment (GA) Deferral and Repayment Amount Cash Flows

$ millions
IESO forecast Global Adjustment cost *
Global Adjustment payment from ratepayer **

* Represents total GA prior to OFHP based on IESO's forecast of total GA for all customers (2017-203
** Represents total OFHP costs recovered from consumers, including deferral of GA and recovery of

Provincial Actual and Projected Fair Hydro Plan Debt

$ millions
Amount borrowed/paid-back in given year***
Interest**** ~~on accumulated debt from previous year~~
Accumulated Debt

***Values represent deferral of GA costs and recovery of principal.
****Interest is calculated based on the average debt balance for the year and a 5 per cent interest ra
This data was used to inform the Minister's letter to OPG.

OPG Actual and Projected Fair Hydro Plan Debt

$ million
Amount borrowed/paid-back in given year
Interest on accumulated debt from previous year
Accumulated Debt

Equity Injection Comparisons

Revised Annual Borrowings
Equity Injection (44%)

Revised Equity Injections - Fiscalized
EFB Equity Injection Calculation based on FAA (September 28 2017 Letter)
Variance

IOD Comparisons

Revised Equity Injections - Fiscalized
OEP forecast as of Feb 6, 2018
Interest Rate Forecast

IOD
2017-18
2018-19
2019-20
2020-21
Total Estimated IOD Impact

EFB Equity Injection Calculation based on FAA (September 28 2017 Letter)
OEP forecast as of Feb 6, 2018
Interest Rate Forecast

IOD
2017-18
2018-19
2019-20
2020-21
Total Estimated IOD Impact

Variance in IOD Impacts

ıir Hydro Plan.

2017	2018	2019	2020	2021	2022	2023
10,078	10,144	10,801	10,576	9,671	9,471	8,733
8,682	7,955	8,505	8,162	7,467	7,771	7,683

:5) which informed the 2017 LTEP, converted by the Ministry from $2017 to $nominal by assuming 2% CPI
principal, interest and fees.

2017	2018	2019	2020	2021	2022	2023
-1,448	-2,322	-2,553	-2,808	-2,740	-2,363	-1,819
52	133	257	394	536	663	769
1,448	3,770	6,323	9,131	11,871	14,234	16,053

ate over the 30-year life of the program, and includes associated fees.

2017	2018	2019	2020	2021	2022	2023

2017	2018	2019	2020	2021	2022	2023
1,448	2,322	2,553	2,808	2,740	2,363	1,819
637	1022	1123	1235	1206	1040	800

2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
893	1047	1151	1228	1164	980	748
853	979	1023	1035	911	675	402
40	69	128	193	253	305	346

2017-18	2018-19	2019-20	2020-21
893	1,047	1,151	1,228
rrowing Rate	OEP	OEP	20-Year Average
2.4%	3.4%	4.0%	4.4%
11	21	21	21
	18	35	35
		23	46
			27
11	**39**	**80**	**130**
853	979	1,023	1,035
rrowing Rate	OEP	OEP	20-Year Average
2.4%	3.4%	4.0%	4.4%
10	20	20	20
	16	33	33
		21	41
			23
10	**37**	**74**	**117**
0	**2**	**6**	**13**

2024	2025	2026	2027	2028	2029	2030
9,917	8,924	9,908	10,169	10,300	9,978	9,472
9,425	8,924	9,908	10,169	11,297	11,009	10,877

and extrapolated post-2035 based on the average rate of change between 2026-2035.

2024	2025	2026	2027	2028	2029	2030
-1,342	-907	-954	-1,004	-33	0	385
850	907	954	1,004	1,030	1,031	1,021
17,395	18,301	19,255	20,259	20,292	20,292	19,907

2024	2025	2026	2027	2028	2029	2030

2024	2025	2026	2027	2028	2029	2030
1,342	907	954	1,004	33	0	-385
590	399	420	442	15	0	-169

2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
542	404	425	335	11	-42	-164
152	-51	-112	-159	-270	-444	-604
390	455	537	494	281	402	440

2031	2032	2033	2034	2035	2036	2037
8,449	8,344	7,445	6,252	4,771	4,417	4,089
9,789	9,840	9,009	8,291	6,988	6,666	6,262

2031	2032	2033	2034	2035	2036	2037
337	515	611	1,131	1,372	1,477	1,476
1,003	981	952	908	845	772	697
19,570	19,055	18,444	17,313	15,941	14,464	12,988

2031	2032	2033	2034	2035	2036	2037

2031	2032	2033	2034	2035	2036	2037
-337	-515	-611	-1,131	-1,372	-1,477	-1,476
-148	-227	-269	-498	-604	-650	-650

2031-32	2032-33	2033-34	2034-35	2035-36	2036-37	2037-38
-168	-237	-326	-524	-615	-650	-661
-609	-664	-745	-913	-977	-980	-960
442	427	419	389	362	330	299

2038	2039	2040	2041	2042	2043	2044
3,785	3,504	3,244	3,003	2,780	2,574	2,383
5,985	5,392	4,855	4,474	4,230	3,948	3,780

2038	2039	2040	2041	2042	2043	2044
1,580	1,343	1,128	1,041	1,075	1,053	1,132
620	545	483	429	375	321	265
11,408	10,065	8,937	7,895	6,821	5,768	4,636

2038	2039	2040	2041	2042	2043	2044

2038	2039	2040	2041	2042	2043	2044
-1,580	-1,343	-1,128	-1,041	-1,075	-1,053	-1,132
-695	-591	-496	-458	-473	-463	-498

2038-39	2039-40	2040-41	2041-42	2042-43	2043-44	2044-45
-669	-567	-487	-462	-470	-472	-505
-930	-801	-695	-646	-629	-608	-615
261	234	208	184	159	137	110

2045	2046	2047	2048
2,206	2,042	1,891	1,750
3,611	3,608	3,952	1,750

2045	2046	2047	2048
1,199	1,427	2,010	0
206	139	51	0
3,437	2,010	0	0

2045	2046	2047	2048

2045	2046	2047	2048
-1,199	-1,427	-2,010	0
-528	-628	-885	0

2045-46	2046-47	2047-48
-553	-692	-663
-637	-748	-675
85	56	11

Actual and Projected Annual Global Adjustment (GA) Deferral and Repayme

$ millions	**2017**	**2018**
IESO forecast Global A	10,078	10,144
Global Adjustment pay	8,682	7,955

* Represents total GA prior to OFHP based on IESO's forecast of total GA for a
** Represents total OFHP costs recovered from consumers, including deferral

Deferral	1,396	2,189
	52	133
Annual Borrowings	1,448	2,322
TOTAL	1,448	3,770
	0.03719145	0.060789592
	0.035857845	0.035294613
	0.03719145	0.036585899
	0.0358578446	0.0510000000
	0.0371914498	0.0537407798
	0.0371914498	0.0523345305
	5%	
Recalculation	1,396	2,189
	52	130
	1,448	2,319
	1,448	3,768

nt Amount Cash Flows

2019	2020	2021	2022
10,801	10,576	9,671	9,471
8,505	8,162	7,467	7,771

ll customers (2017-2035) which informed the 2017 LTEP, converted by the Ministry from $2017 to $nominal by
of GA and recovery of principal, interest and fees.

2,296	2,414	2,204	1,700
257	394	536	663
2,553	2,808	2,740	2,363
6,323	9,131	11,871	14,234
0.112122144	0.163279846	0.242946991	0.390032973
0.040704571	0.043159126	0.045114332	0.046583166
0.042431736	0.045105856	0.047245794	0.048859181
0.0510000000	0.0510000000	0.0510000000	0.0508000000
0.0537407798	0.0537407798	0.0537407798	0.0535187526
0.0523345305	0.0523345305	0.0523345305	0.0521239483
	0.050837963		
2,296	2,414	2,204	1,700
252	386	524	651
2,548	2,799	2,728	2,351
6,315	9,115	11,843	14,194

2023	2024	2025	2026
8,733	9,917	8,924	9,908
7,683	9,425	8,924	9,908

y assuming 2% CPI and extrapolated post-2035 based on the average rate of change between 2026-2035.

1,050	492	0	0
769	850	907	954
1,819	1,342	907	954
16,053	17,395	18,301	19,255
0.73265484	1.72677531	#DIV/0!	#DIV/0!
0.047921434	0.048841011	0.049541642	0.049541642
0.050333487	0.051348946	0.052123948	0.052123948
0.0508000000	0.0508000000	0.0508000000	0.0508000000
0.0535187526	0.0535187526	0.0535187526	0.0535187526
0.0521239483	0.0521239483	0.0521239483	0.0521239483
1,050	492	0	0
755	833	888	934
1,805	1,325	888	934
15,999	17,324	18,212	19,146

2027	2028	2029	2030
10,169	10,300	9,978	9,472
10,169	11,297	11,009	10,877

0	-997	-1,031	-1,406
1,004	1,030	1,031	1,021
1,004	33	0	-385
20,259	20,292	20,292	19,907
#DIV/0!	-1.033303874	-1	-0.726329513
0.052123948	0.053472634	0.053518753	0.054063854
0.0508000000	0.0508000000	0.0508000000	0.0508000000
0.0535187526	0.0535187526	0.0535187526	0.0535187526
0.0521239483	0.0521239483	0.0521239483	0.0521239483
0	-997	-1,031	-1,406
982	1007	1006	995
982	10	-25	-410
20,128	20,138	20,113	19,703

2031	2032	2033	2034
8,449	8,344	7,445	6,252
9,789	9,840	9,009	8,291

-1,340	-1,496	-1,564	-2,039
1,003	981	952	908
-337	-515	-611	-1,131
19,570	19,055	18,444	17,313
-0.748423197	-0.655724615	-0.609140601	
0.054004521	0.054281378	0.054453742	0.055363212
0.0508000000	0.0508000000	0.0508000000	0.0508000000
0.0535187526	0.0535187526	0.0535187526	0.0535187526
0.0521239483	0.0521239483	0.0521239483	0.0521239483
-1,340	-1,496	-1,564	-2,039
976	953	924	879
-364	-543	-640	-1,160
19,339	18,796	18,156	16,996

2035	2036	2037	2038
4,771	4,417	4,089	3,785
6,988	6,666	6,262	5,985

-2,217	-2,249	-2,173	-2,200
845	772	697	620
-1,372	-1,477	-1,476	-1,580
15,941	14,464	12,988	11,408

0.055951526			
0.0508000000	0.0508000000	0.0508000000	0.0508000000
0.0535187526	0.0535187526	0.0535187526	0.0535187526
0.0521239483	0.0521239483	0.0521239483	0.0521239483

-2,217	-2,249	-2,173	-2,200
815	742	667	589
-1,402	-1,507	-1,507	-1,611
15,594	14,087	12,580	10,968

2039	2040	2041	2042
3,504	3,244	3,003	2,780
5,392	4,855	4,474	4,230

-1,888	-1,611	-1,471	-1,450
545	483	429	375
-1,343	-1,128	-1,041	-1,075
10,065	8,937	7,895	6,821

0.0508000000	0.0508000000	0.0510000000	0.0510000000
0.0535187526	0.0535187526	0.0537407798	0.0537407798
0.0521239483	0.0521239483	0.0523345305	0.0523345305

-1,888	-1,611	-1,471	-1,450
514	451	395	340
-1,374	-1,160	-1,076	-1,110
9,595	8,434	7,358	6,249

2043	2044	2045	2046
2,574	2,383	2,206	2,042
3,948	3,780	3,611	3,608

-1,374	-1,397	-1,405	-1,565
321	265	206	139
-1,053	-1,132	-1,199	-1,427
5,768	4,636	3,437	2,010

0.0510000000	0.0510000000	0.0510000000	0.0510000000
0.0537407798	0.0537407798	0.0537407798	0.0537407798
0.0523345305	0.0523345305	0.0523345305	0.0523345305

-1,374	-1,397	-1,405	-1,565
285	229	169	101
-1,088	-1,168	-1,236	-1,464
5,160	3,992	2,756	1,291

2047	2048
1,891	1,750
3,952	1,750

-2,062	0
51	0
-2,010	0
0	0

0.0510000000	0.0000000000
0.0537407798	0.0000000000
0.0523345305	0.0000000000

-2,062	0
13	-39
-2,048	-39
-757	-796

From:	Shajee Kathirgamanathan
To:	Tim Christie (ENERGY)
Cc:	John Kim
Subject:	FHT Rates
Date:	Friday, June 01, 2018 2:16:21 PM
Attachments:	Debt Funding - Tracking Sheet_v4_ForEnergy.xlsx

Hi Tim,

Hope you're well. John asked me to forward the attached your way…

We've been tracking the interest rates charged for the Fair Hydro Trust debt (Senior, Sub, and Jr. Sub debt) and comparing them to provincial rates at the same issue date. We've also included adjustments to the rates for premiums/discounts of the debt and dealer commissions.

The attached excel file shows the weighted average cost of the Fair Hydro Debt (Columns Q and R) along with comparisons to provincial debt assuming 30 year maturities.

The Ontario Bond yields (Columns U to Y) are based on estimates we receive.

The file may be updated periodically so this is still a work in progress, but just wanted to send this your way for now.

Happy to discuss further or answer any questions.

Thanks,
Shajee

Shajee Kathirgamanathan
Senior Advisor
Electricity Finance Branch, Corporate and Electricity Finance Division
Ontario Financing Authority
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

Summary:

Total Funding	Term Debt Takeout
Senior debt	900,000,000.00
Subordinated	688,235,000.00
Junior subordinated	176,471,000.00
Total	**1,764,706,000.00**

Fair Hydro Trust

Date Issued*	Fair Hydro Trust Debt Type*	Principal Amount* ($)	Coupon Rate*	Maturity Date*	Series Number*	Term to Maturity [Years]	Issue Price [per $100 Principal]*	Issue Discount/(Premium) [per $100 Principal]	Commission [per $100 Principal]*	Commission and Issue Discount/(Premium) [Per $100 Principal]	Commission and Issue Premium/Discount [semi-annual rate]	Yield at Issue (w/ Commission, w/ Discount/Premium)
February 9, 2018	Senior debt	500,000,000	3.357%	May 15, 2033	2018-1	15.27	100.003	(0.003)	0.500	0.497	0.042%	3.39887%
February 9, 2018	Subordinated	382,353,000	3.637%	May 15, 2033	2018-1	15.27	100.000	-	-	-	0.000%	3.63700%
February 9, 2018	Junior subordinated	98,040,000	3.957%	May 15, 2033	2018-1	15.27	100.000	-	-	-	0.000%	3.95700%
April 24, 2018	Senior debt	400,000,000	3.520%	May 15, 2038	2018-2	20.06	100.002	(0.002)	0.550	0.548	0.038%	3.55832%
April 24, 2018	Subordinated	305,882,000	3.834%	May 15, 2038	2018-2	20.06	100.000	-	-	-	0.000%	3.83400%
April 24, 2018	Junior subordinated	78,431,000	4.214%	May 15, 2038	2018-2	20.06	100.000	-	-	-	0.000%	4.21400%

Ontario Bond Yields

Issuing Date	Weighted Average Coupon Rate	Weighted Average Yield at Issue	30 yr yields: 30yr**	30yr w/ Commission**	Yields reflective of Debt's Maturity: Debt Issue Maturity**	Ont Rate**	Ont Rate - w/ Commission**	Notes
February 9, 2018	3.526%	3.548%	3.23%	3.25%	15 year	3.10%	3.14%	Feb 9 Rate, Simple average between 10 and 20 year rates.
April 24, 2018	3.712%	3.731%	3.23%	3.26%	20 year	3.22%	3.25%	Apr 24 Rate
Total	**3.609%**	**3.629%**						

**Source: Fair Hydro Plan - Deliveries under Change of Law Process Agreement, February 8, 2018 and April 23, 2018.*

***Source: Corporate Finance Branch Interest Rate Snapshot based on ScotiaBank daily reports, semi-annual rate estimates. Commissions paid for dealers, based on historical one-time estimate. Subject to revision. Excludes additional costs Province may charge for on lending purposes.*

From:	John Kim
To:	Gavin He
Cc:	Shajee Kathirgamanathan
Subject:	FW: Call re Delivery of Reference Documentation to Province
Date:	Wednesday, January 10, 2018 7:36:33 AM
Attachments:	Fair Hydro OM - Comments.pdf

Another.

From: Ronald Kwan
Sent: Tuesday, January 09, 2018 9:27 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: FW: Call re Delivery of Reference Documentation to Province

From: ASHBOURNE, STEPHEN [mailto:STEPHEN.ASHBOURNE@blakes.com]
Sent: January-09-18 09:26
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; 'Thouin, Alena (ENERGY)' <Alena.Thouin@ontario.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Mark Donaldson (MOF) <Mark.Donaldson@ontario.ca>
Cc: Sawwaf, Khareem (ENERGY) <Khareem.Sawwaf@ontario.ca>; Huang, Jackson (MEDG/MRIS) <Jackson.Huang@ontario.ca>; Daniel Cayley (ENERGY) <Daniel.Cayley@ontario.ca>; Lightbody, Ava (ENERGY) <Ava.Lightbody@ontario.ca>; James Rehob (ENERGY) <James.Rehob@ontario.ca>; VINER, JON <JON.VINER@blakes.com>
Subject: RE: Call re Delivery of Reference Documentation to Province

Hi. Here is a list of items that could be discussed at 9:30, in order to settle on the scope and nature of commenting on the OM:

MOE – Alignment Considerations

1. Simplified references to the OFHPA (general caveat)
2. Scope of descriptions (generally, should be …subject to the OFHPA and the Regulations)
3. "purposes" of the OFHPA (e.g., implies that is rate reduction)
4. Nature and duration of the "moratorium period" (non-legislative)
5. Trust vs. "financing entity" (permit multiple FEs and co-ownership arrangements – minimally described)
6. "Fair Allocation Amount" – amount vs. effect of calculation (imprecise); concept of "Readjustments" missing
7. Financing Plan – refinements (e.g., references to Refinancings)

8. Expectations re FAA – negative until 2024
9. “Ontario’s Fair Allocation Plan” – styling
10. OPG appointment as FSM (initial only – ability for Minister to replace)
11. Inclusions into IESO deferrals (precision)
12. Carrying costs vs funding rebates (impact on nature of Investment Asset)???
13. No reference to pre-OFHPA adjustments (piggy bank)
14. Risk Factors – approach to describing legal risks and Protection Agreement as mitigation
15. Technical definitions and descriptions (e.g., carrying costs; forecasts from IESO rather than forecast information; invoicing mechanics; simplifications of definitions; etc.)
16. Limited discussion re contents of “Financing Plan”
17. No real recognition of tail risk and duration mismatch considerations and mitigants/strategies
18. No discussion re OFHPA rights of action, etc.
19. “non-bypassable” (meaning)

<u>OFA - Change of Law Protection Agreement</u>

1. Narrative (e.g., “in favour of the Issuer”)
2. Notes do not constitute debt of Province, etc. (confirm description) – additional considerations?
3. Scope of “Approved Obligations” (overbroad)
4. Positive obligations in favour of Province (e.g., apply amounts; credit for applied amounts)
5. Definition of “Protection Events” (align)
6. Rights of Subrogation (needs to be more detailed)
7. Mechanics of Protection Account
8. Limited direct rights of Noteholders (through indenture trustee)
9. Limitations on damages
10. Only passing reference to the “Process Agreement” in OM (but referred to in more detail in the Investor Presentation)

<u>Other</u>

1. Confidentiality (deemed vs. confirmed in writing)
2. Liability for Taxes (priority claim in waterfall; impact on triggers)
3. IESO - descriptions

4. Electricity Market; OEB; OPG

5. Platform (e.g., very broad cross default – beyond generic risk factors?)

6. Interplay between Warehouse and Term issuances

7. Description of 2018 Notes

8. Optional Redemption of Notes (confirm if applicable/acceptable)

FYI, attached is our internal (preliminary) mark-up of the OM. It should not be on-circulated at this stage. We are providing it now in case you would find it useful to have specified illustrations of the foregoing items.

Regards, Steve

Stephen R. Ashbourne
Partner
stephen.ashbourne@blakes.com
Dir: 416-863-3086

———————————

Blake, Cassels & Graydon LLP
199 Bay Street, Suite 4000, Toronto ON M5L 1A9
Tel: 416-863-2400 Fax: 416-863-2653
blakes.com[blakes.com] | **Twitter**[twitter.com] | **Unsubscribe**[blakes.com]

Blake, Cassels & Graydon LLP | Barristers & Solicitors | Patent & Trade-mark Agents
This email communication is CONFIDENTIAL AND LEGALLY PRIVILEGED. If you are not the intended recipient, please notify me at the telephone number shown above or by return email and delete this communication and any copy immediately. Thank you.

L'information paraissant dans ce message électronique est CONFIDENTIELLE. Si ce message vous est parvenu par erreur, veuillez immédiatement m'en aviser par téléphone ou par courriel et en détruire toute copie. Merci.

This confidential shelf offering memorandum constitutes an offering of these securities only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale. This confidential shelf offering memorandum is not, and in no circumstances is to be construed as, a prospectus or advertisement or public offering of these securities. ***No securities commission or similar authority in Canada or in any other jurisdiction has reviewed this material or in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.*** *Persons who acquire securities pursuant to this confidential shelf offering memorandum will not have the benefit of the review of this material by any securities commission or similar authority. The information contained in this confidential shelf offering memorandum has been furnished or supplied by the Issuer based on the most accurate information available as at the date hereof and there is no representation or warranty by the Agents as to the accuracy or completeness of such information. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "****U.S. Securities Act****") or any state securities laws and may not be offered or sold within the United States or to, or for the account of, U.S. persons (within the meaning of Regulation S under the U.S. Securities Act) unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available. See "Plan of Distribution". This confidential shelf offering memorandum is confidential and contains certain information not publicly disclosed. No one is authorized to make any representation or give any warranty on behalf of the Issuer other than those representations and warranties made or referred to in this confidential shelf offering memorandum.*

The information contained in this confidential shelf offering memorandum and delivered in connection with the private placement of the Senior Notes by the Issuer is confidential, is for the confidential use of only those persons to whom it is delivered in connection with the offering solely for the purpose of considering the purchase of the Senior Notes and its use for any other purpose is prohibited. By accepting this confidential shelf offering memorandum, each prospective purchaser agrees that it will not transmit, reproduce or make available to anyone, other than their respective advisors (so long as they advise such advisors of the confidential nature of such document), this confidential shelf offering memorandum (including any Term Sheets) or any information contained herein, and will not use such information (or permit its advisors to use such information) for any purpose other than to evaluate an investment in the Senior Notes pursuant to an Offering.

CONFIDENTIAL SHELF OFFERING MEMORANDUM

New Issue By Way of Private Placement January ■, 2018

FAIR HYDRO TRUST
Senior Secured Notes

Fair Hydro Trust (the "**Issuer**"), a special purpose trust established under the laws of the Province of Ontario by Computershare Trust Company of Canada, acting as trustee of the Issuer, and caused to be established by Ontario Power Generation Inc. ("**OPG**"), as Financial Services Manager (as hereinafter defined), has created a program providing for the offering and issuance of senior secured notes (the "**Senior Notes**"), in one or several offerings. The Issuer was established in connection with the *Ontario Fair Hydro Plan Act, 2017* (the "**FHPA**"), legislation [that reallocates certain electricity costs over time and provides immediate rate relief to Specified Consumers (a category of consumers that generally is comprised of residential consumers, small businesses and farms).][1] Under the FHPA, ~~Ontario Power Generation Inc. ("**OPG**")~~OPG is appointed as the initial financial services manager (in such capacity, the "**Financial Services Manager**") and is given the authority to, among other things, establish, or cause to be established, one or more financing entities (each, a "**Financing Entity**") to incur payment obligations (referred to as "**Funding Obligations**") for the purposes of the FHPA.[2] The Issuer is a Financing Entity under the FHPA and the Senior Notes are Funding Obligations being offered for the purposes of the FHPA.

The Senior Notes do not constitute a debt, liability or other obligation of, or interest in, OPG or any of its other affiliates (other than the Issuer). The Senior Notes are not a debt, liability or ~~general~~ obligation of the Province of Ontario or any of its political subdivisions, agencies or instrumentalities. The Senior Notes will not be insured or guaranteed by the Province of Ontario, OPG or any of their respective affiliates or any other person or entity, except that the Province of Ontario has agreed to provide a limited guarantee in respect of the Senior Notes following the occurrence of certain events. See *"Change of Law Protection Agreement"*. The Senior Notes will be nonrecourse obligations, secured only by the collateral described in this confidential shelf offering memorandum. See *"Risk Factors"*.

[1] **Note:** Blakes suggests that that this narrative be removed or, if necessary, it should track the purposes of the FHPA set out in Section 3 of the Act.

[2] **Note:** The statutory definition of "funding obligation" provides that the funding obligations have the purpose of funding ownership in an investment interest. Please consider revising the definition of "funding obligation" to more closely track that in the Act.

The specific terms of any offering of Senior Notes, including, without limitation, the aggregate principal amount of Senior Notes being offered, the currency of the Senior Notes, the issue price (at par, at a discount or at a premium), the issue, delivery and maturity dates, any redemption or repayment provisions, the rating of the Senior Notes at the time of such offering, the interest (either fixed or floating and the circumstances, if any, under which the rate may be adjusted), the interest rate basis and interest payment dates, will be established by the Issuer and set forth in a term sheet (a "**Term Sheet**") that will accompany, be incorporated by reference in and form an integral part of this confidential shelf offering memorandum. Unless otherwise specified in a Term Sheet, the Senior Notes will not be listed on any securities exchange.

The offering of Senior Notes from time to time (each, an "**Offering**") will be made pursuant to exemptions from the prospectus requirements of applicable securities laws in each of the provinces of Canada only to "accredited investors" (as such term is defined in National Instrument 45-106 – *Prospectus Exemptions* ("**NI 45-106**") and, in the case of a purchaser resident in Ontario, section 73.3(1) of the *Securities Act* (Ontario)) that are purchasing the Senior Notes as principal and that are not individuals unless those individuals are also "permitted clients" (as such term is defined in National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("**NI 31-103**")). Purchasers of Senior Notes will be obliged to establish their qualification to invest in accordance with the requirements of the securities laws of the jurisdiction in which they reside. See *"Representations and Agreements of Purchasers"*. As each Offering will be made pursuant to exemptions from prospectus requirements of applicable securities laws, there will be restrictions on the resale of the Senior Notes. See *"Risk Factors"* and *"Restrictions on Resale"*.

The Senior Notes may be sold by the Issuer directly pursuant to applicable statutory exemptions or through agents designated by the Issuer from time to time (the "**Agents**"). See *"Plan of Distribution"*. Each Term Sheet will identify the Agents engaged to conditionally offer the Senior Notes for sale on a best efforts basis, subject to prior sale, in connection with the applicable Offering of Senior Notes and will also set forth the terms of such Offering of Senior Notes, including the net proceeds to the Issuer and, to the extent applicable, any fees payable to the Agents.

Subscriptions for the Senior Notes will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Senior Notes will be delivered and recorded in book-entry form through CDS Clearing and Depository Services Inc. ("**CDS**") or another depository selected by the Issuer in accordance with the master trust indenture governing the Senior Notes. The Senior Notes will be represented by fully registered book-entry notes held by, or on behalf of, such depository, or a successor thereof, as the custodian of the book-entry notes, in its name or the name of its nominee.

The Senior Notes will be issued under and will be entitled to the benefits of a master trust indenture dated as of December 21, 2017 between the Issuer, as issuer, and BNY Trust Company of Canada, as indenture trustee, as amended or supplemented by supplemental indentures thereto.

In making an investment decision, prospective investors acknowledge that they have not relied on the Agents or any person affiliated with the Agents for investment or other advice and are relying on their own examination of the terms of an Offering, including the merits and risks involved and creditworthiness of the Issuer. Prospective investors are not to construe the contents of this document as legal, tax, accounting or investment advice. Prior to investing in the Senior Notes, prospective investors should consult with their legal, tax, accounting and investment advisors to determine the consequences of an investment in the Senior Notes. See *"Risk Factors"* for a discussion of certain factors that should be considered by prospective purchasers of Senior Notes.

The Issuer is not a "reporting issuer" (as such term is defined under applicable Canadian securities laws) in any jurisdiction. The Issuer will only distribute the Senior Notes in Canada under exemptions from the prospectus requirements of the securities laws of the provinces where they are sold. The Senior Notes may only be traded in Canada under exemptions from the prospectus requirements of the securities laws of the provinces in which they are traded and only through dealers registered or exempt from the dealer registration requirements of applicable Canadian securities laws. See *"Restrictions on Resale"*.

There is currently no secondary market for the Senior Notes. There can be no assurance that a secondary market will develop or, if a secondary market does develop, that it will provide holders of Senior Notes with

liquidity for their investment or that it will continue for the term of the applicable Senior Notes. Accordingly, purchasers of the Senior Notes may be required to bear the financial risk of investing in such Senior Notes until the maturity date of such Senior Notes.

No person is authorized to give any information or make any representation other than those contained in this confidential shelf offering memorandum in connection with an Offering and any decision to purchase Senior Notes should be based solely on the information contained herein. The Term Sheet applicable to such Offering and the investor presentation (the "**Investor Presentation**"), attached hereto as Exhibit 1, are incorporated by reference and included in, respectively, and form an integral part of, this confidential shelf offering memorandum. The information contained in the Investor Presentation is current only as of the date thereof. The Investor Presentation may be updated and replaced by the Issuer in connection with an Offering and such updated Investor Presentation will be attached as Exhibit 1, and will be included in, and form an integral part of, this confidential shelf offering memorandum delivered in respect of such Offering.

This confidential shelf offering memorandum, including the Investor Presentation attached hereto, and any Term Sheets, are provided on a confidential basis to prospective investors for informational use solely in connection with their consideration of the purchase of Senior Notes. Use for any other purpose is not authorized. Each Offering will be made solely on the basis of the information contained herein or incorporated by reference which has been furnished by the Issuer. No Agent makes any representation or warranty, express or implied, as to the accuracy, adequacy or completeness of such information. Furthermore, no Agent has independently verified the information in this confidential shelf offering memorandum and has no responsibility for the accuracy, adequacy or completeness of any such information.

This confidential shelf offering memorandum does not contain all of the information that would normally appear in a prospectus qualified under applicable Canadian securities laws. Neither the delivery of this confidential shelf offering memorandum, at any time, nor any sales made pursuant hereto, will imply that the information contained herein is correct as of any time subsequent to the date set forth on the face page hereof and the Issuer and the Agents will not update such information except as may be required by applicable law.

Capitalized terms used and not otherwise defined in this confidential shelf offering memorandum have the meanings ascribed to them in the glossary starting on page [92] of this confidential shelf offering memorandum. All figures in this confidential shelf offering memorandum are in Canadian dollars unless otherwise noted.

TABLE OF CONTENTS

Page

CAUTION REGARDING FORWARD-LOOKING INFORMATION v
CONFIDENTIALITY vii
DOCUMENTS INCORPORATED BY REFERENCE vii
MARKET AND INDUSTRY DATA vii
SUMMARY 1
THE ELECTRICITY INDUSTRY IN ONTARIO ..... ~~15~~17
ONTARIO'S FAIR HYDRO PLAN 18
CHANGE OF LAW PROTECTION AGREEMENT ..... ~~24~~18
THE ISSUER ..... ~~27~~18
THE MANAGER ..... ~~29~~18
SUBORDINATED DEBT ..... ~~32~~18
SHORT TERM INDEBTEDNESS ..... ~~33~~18
THE TRANSFEROR AND SERVICER ..... ~~34~~18
CREDIT RATINGS ..... ~~36~~18
RATING AGENCY CONDITION ..... ~~36~~18
CAPITAL MARKETS PLATFORM ..... ~~37~~18
DESCRIPTION OF NOTES ..... ~~60~~18
DEPOSITORY SERVICES ..... ~~63~~18
PLAN OF DISTRIBUTION ..... ~~64~~18
RISK FACTORS ..... ~~65~~18
REPRESENTATIONS AND AGREEMENTS OF PURCHASERS ..... ~~77~~18
LANGUAGE OF DOCUMENTS ..... ~~81~~18
RESTRICTIONS ON RESALE ..... ~~81~~18
REPORTING REQUIREMENTS ..... ~~82~~18
STATUTORY RIGHTS OF ACTION ..... ~~82~~18
INDENTURE TRUSTEE ..... ~~93~~18
LEGAL MATTERS ..... ~~93~~18
GLOSSARY ..... ~~94~~18
SCHEDULE A – CANADIAN PROVINCIAL SECURITIES REGULATORY AUTHORITIES ..... ~~106~~18
EXHIBIT 1 – INVESTOR PRESENTATION ..... ~~107~~18

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Some of the statements contained in this confidential shelf offering memorandum, including those relating to the Issuer's expectations, forecasts, strategic and other statements, are forward-looking information within the meaning of securities laws. Forward-looking information is contained in the summary and in the sections titled *"Ontario's Fair Hydro Plan — Fair Allocation Amount & Financing Plan"*, *"Subordinated Debt"*, *"■"* and *"Risk Factors"* of this confidential shelf offering memorandum and *"Financing Plan / Strategy"*, *"Financing Structure"*, *Aggregate Financing Program"*, *"■"* and *"Consumer Bill Forecast with FHP"* of the Investor Presentation. The forward-looking statements contained in this confidential shelf offering memorandum are presented for the purposes of assisting potential purchasers in making an investment decision regarding the Senior Notes and may not be appropriate for other purposes.

Often, but not always, forward-looking information can be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management of the Issuer made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that the Issuer believes to be relevant and reasonable at the date that such statements are made. A variety of factors, many of which are beyond the Issuer's control, may cause actual results to differ materially from the expectations expressed in the forward-looking statements. These factors include, but are not limited to, the following risks:

Judicial, Legislative or Regulatory Risks:

- Future legal action might challenge or invalidate the FHPA or the Regulations and materially adversely affect a holder's investment in the Senior Notes.
- Future legislative action to change the FHPA, the Regulations, the Change of Law Protection Agreement or the electricity market might materially adversely affect a holder's investment in the Senior Notes.
- Future judicial action could reduce the value of a holder's investment in the Senior Notes.
- Potential difficulties in enforcing civil liabilities against the Province of Ontario may arise.

Risks Associated with the Unusual Nature of the Investment Asset:

- Clean Energy Adjustments will not be payable until May 1, 2021 and until such time the IESO will be the sole source of funds for payment on the Senior Notes.
- The Issuer's ability to enforce security granted by the IESO may be significantly impaired or delayed.
- A holder of Senior Notes may experience material payment delays because the source of funds for payment after the Moratorium Period is limited.
- The Clean Energy Adjustment may not be billed after April 30, 2047, unless further regulations to extend that date are passed.
- Foreclosure of the Indenture Trustee's lien on the Investment Interest securing the Senior Notes might not be practical and acceleration of the Senior Notes before maturity might have little practical effect.
- The Issuer may issue multiple Series of Senior Notes secured by the Investment Interest and some decisions affecting holders of Senior Notes may require approval by resolution of the holders of all Series of Senior Notes.
- If a Series of Senior Notes or all Senior Notes are accelerated, a holder of Senior Notes might receive payment of principal sooner or later than expected.
- The Issuer may have a co-ownership interest in the Investment Asset with other Financing Entities.
- If the Clean Energy Adjustment amounts and other funds held in the Issuer Accounts results in investment losses or the investments become illiquid, a holder of Senior Notes might receive payment of principal of and interest on the Senior Notes later than expected.

Servicing, Operating and Consumer Risks

- Payments on the Senior Notes depend on the performance of Electricity Vendors and the IESO.

- Payments on the Senior Notes depend on the performance of OPG as Financial Services Manager and as Manager of the Issuer.
- Inaccurate consumption forecasting or unanticipated delinquencies or write-offs might reduce or delay scheduled payments on the Senior Notes.
- Changes to billing and collection practices may reduce the amount of funds available for payments on the Senior Notes.
- Limits on rights to terminate service to Specified Consumers might make it more difficult to collect the Clean Energy Adjustment.
- It might be difficult for the Issuer to collect the Clean Energy Adjustment from Specified Consumers.
- Indemnification obligations of OPG and the IESO are limited and might not be sufficient to protect the investments in the Senior Notes.
- Delinquent or partial payments of electricity bills may make principal payments on the Senior Notes occur later than expected.
- Power outages could impair payment of the Senior Notes.
- Technological changes that make alternative energy sources more attractive in the future or significant population fluctuations may result in fewer Specified Consumers from whom to collect the Clean Energy Adjustment.

Insolvency-Related Risks

- If the Issuer were to become subject to Canadian Insolvency and Restructuring Laws, the Indenture Trustee's ability to enforce security granted by the Issuer may be significantly impaired or delayed.
- If the IESO or any Electricity Vendor were to become subject to Canadian Insolvency and Restructuring Laws, collections that have been commingled may be unrecoverable and the Issuer's ability to enforce its rights against the IESO may be significantly impaired or delayed.
- If OPG were to become subject to Canadian Insolvency and Restructuring Laws, the Issuer's ability to enforce its rights against OPG may be significantly impaired or delayed and the Issuer's assets and liabilities may be substantively consolidated with those of OPG.
- If the Issuer Trustee were to become subject to Canadian Insolvency and Restructuring Laws, the assets and liabilities of the Issuer may be substantively consolidated with the Issuer Trustee.
- If a Specified Consumer were to become subject to Canadian Insolvency and Restructuring Laws, the Issuer's ability to collect Clean Energy Adjustment amounts from such Specified Consumer may be adversely affected.
- If amounts in the Issuer Accounts for any Series are invested with entities that become subject to insolvency proceedings, the Issuer's ability to make payments to holders of Senior Notes may be adversely affected.

Other Risks:

- The credit ratings are not an indication of the expected rate of payment of principal on the Senior Notes.
- If the ratings on the Senior Notes are withdrawn or revised downward, the value of a holder's investment in the Senior Notes may be adversely affected.
- The credit ratings of the IESO, OPG and the Province of Ontario might affect the market value of the Senior Notes.
- The absence of an established market for the Senior Notes might limit the ability to resell or refinance the Senior Notes.
- Restrictions on resale might limit the ability to resell the Senior Notes.

Please also see *"Risk Factors"*.

The Issuer does not intend, or assume any obligation, to update any forward-looking information except as may be required by applicable law.

CONFIDENTIALITY

PRIOR TO RECEIVING THIS CONFIDENTIAL SHELF OFFERING MEMORANDUM, EACH PROSPECTIVE PURCHASER MUST HAVE ENTERED INTO A CONFIDENTIALITY UNDERTAKING WITH THE ISSUER (IN A FORM ACCEPTABLE TO THE ISSUER) WHICH PROVIDES THAT BY ACCEPTING A COPY OF THIS CONFIDENTIAL SHELF OFFERING MEMORANDUM, EACH PROSPECTIVE PURCHASER AGREES THAT ALL INFORMATION CONTAINED HEREIN, ALL DOCUMENTS DELIVERED IN CONNECTION HEREWITH AND ALL OTHER INFORMATION OBTAINED BY PROSPECTIVE PURCHASERS IN RELATION TO THE ISSUER (COLLECTIVELY, THE "**CONFIDENTIAL INFORMATION**") IS CONFIDENTIAL, THAT NONE OF THE CONFIDENTIAL INFORMATION WILL BE COPIED, TRANSCRIBED, RECORDED OR TRANSMITTED BY THE RECIPIENT FOR ANY REASON OR USED FOR ANY PURPOSE OTHER THAN EVALUATING AN INVESTMENT IN THE NOTES, AND THAT THE RECIPIENT WILL HOLD ALL OF THE CONFIDENTIAL INFORMATION IN CONFIDENCE AND WILL NOT PROVIDE ANY OF IT TO ANY THIRD PARTIES OTHER THAN PERSONS RETAINED TO ADVISE THE RECIPIENT WITH RESPECT TO THE PURCHASE OF THE NOTES (SO LONG AS THEY ADVISE SUCH PERSONS OF THE CONFIDENTIAL NATURE OF SUCH CONFIDENTIAL INFORMATION), WITHOUT THE PRIOR WRITTEN CONSENT OF THE ISSUER. ***[NTD: Logistics to be discussed between Dealers and OPG.]***

DOCUMENTS INCORPORATED BY REFERENCE

A Term Sheet containing the specific variable terms in respect of an Offering will be delivered to prospective purchasers of Senior Notes together with this confidential shelf offering memorandum and will be deemed to be incorporated into this confidential shelf offering memorandum as of the date of such Term Sheet, solely for the purposes of the Senior Notes issued under such Term Sheet.

The information contained in the Investor Presentation is current only as of the date thereof. The Investor Presentation may be updated and replaced by the Issuer in connection with an Offering and such updated Investor Presentation will be attached as Exhibit 1, and will be included in, and form an integral part of, this confidential shelf offering memorandum delivered in respect of such Offering.

Any statement contained in the confidential shelf offering memorandum or in any document incorporated or deemed to be incorporated by reference in the confidential shelf offering memorandum shall be deemed to be modified or superseded, to the extent that a statement contained herein or in any other subsequent document which is or is deemed to be incorporated by reference in the confidential shelf offering memorandum, modifies or supersedes such prior statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of the confidential shelf offering memorandum, except as so modified or superseded.

MARKET AND INDUSTRY DATA

Certain of the information contained herein concerning the electricity industry in Ontario is based upon or derived from information provided by third party sources, including industry publications and other publicly available industry sources. Neither the Issuer nor the Agents guarantee the accuracy of such information and neither the Issuer nor the Agents have independently verified the assumptions upon which projections of future trends and performance are based. This information and data is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey of market or industry data. As a result, prospective purchasers should be aware that the information and data set forth herein, and estimates and beliefs based on such information and data, may not be reliable.

REFERENCES TO THE FHPA AND RELATED REGULATIONS

This confidential shelf offering memorandum describes certain provisions of the *Ontario Fair Hydro Plan Act, 2017* and the regulations made pursuant to that Act. These descriptions include simplified and summary descriptions of the terms and requirements of the legislation and do not purport to be comprehensive, definitive or determinative. All references in this confidential shelf offering memorandum to the terms and requirements of the *Ontario Fair Hydro Plan Act, 2017* and the regulations made pursuant to that Act are qualified in their entirety by reference to the specific terms and requirements set forth in such legislation, copies of which are available at https://www.ontario.ca/laws/statute/17o16.

SUMMARY

This summary does not contain all the information prospective purchasers should consider before investing in the Senior Notes. Prospective purchasers should read this entire confidential shelf offering memorandum carefully, including the section entitled "Risk Factors". Capitalized terms used and not otherwise defined in this summary have the meanings ascribed to them in the glossary starting on page [92] of this confidential shelf offering memorandum.

Issuer:	Fair Hydro Trust, a special purpose trust ~~established under~~governed by the laws of the Province of Ontario.
Manager:	Ontario Power Generation Inc. ("**OPG**"), pursuant to the terms of the Management Agreement.
Ontario's Fair Hydro Plan:	On March 2, 2017, the Province of Ontario announced its Fair Hydro Plan, proposing to lower the average electricity bill for certain eligible customers.[3] On June 1, 2017, the Ontario government passed the Ontario Fair Hydro Plan Act, 2017 (the "**FHPA**")[, legislation that [reallocates certain electricity costs over time and provides immediate rate relief to Specified Consumers (a category of consumers that generally is comprised of residential consumers, small businesses and farms)].[4] From July 1, 2017 until April 30, 2018, electricity rates payable by Specified Consumers will in effect be the rate that would result in a representative consumer being charged an invoice amount that is 25%[~~1~~5] less than the rate that would otherwise have been determined by the Ontario Energy Board (the "**OEB**") for that period. Under the FHPA, OPG is appointed as the initial financial services manager (in such capacity, the "**Financial Services Manager**") and is given the authority to, among other things, establish, or cause to be established, one or more financing entities (each, a "**Financing Entity**") to incur payment obligations (referred to as "**Funding Obligations**") for the purposes of the FHPA and the Regulations.[6] The Issuer is a Financing Entity under the FHPA and the Regulations and the Notes are Funding Obligations being offered for the purposes of the FHPA and the Regulations. See *"Ontario's Fair Hydro Plan — Background"*.
Summary of the Fair Hydro Financing Program:	The implementation of the Fair Hydro Plan is intended to be financed by the Issuer through the Fair Hydro financing program. The program provides for the offering and issuance by the Issuer of Senior Notes, in any number of series (each a "**Series**"), in one or several offerings (each, an "**Offering**"). A Term Sheet will describe particulars of the terms of each Series of Senior Notes and will be incorporated by reference and form an integral part of this confidential shelf offering memorandum. Each Series of Senior Notes will be issued under the master trust indenture dated as of December 21, 2017 (as amended, supplemented, restated or otherwise modified from time to time, the

[3] **Note:** Blakes suggest this narrative is removed. The March 2 announcement describes the lowering of electricity bills as part of a significant system restructuring to address long-standing policy challenges and ensure greater fairness.

[4] **Note:** Blakes suggests that that this narrative be removed or, if necessary, it should track the purposes of the FHPA set out in Section 3 of the Act.

[~~1~~5] The 25% reduction includes an 8% rebate equivalent to the provincial portion of the harmonized sales tax previously granted by the Ontario government.

[6] **Note:** The statutory definition of "funding obligation" provides that the funding obligations have the purpose of funding ownership in an investment interest. Please consider revising the definition of "funding obligation" to more closely track that in the Act.

"**Master Trust Indenture**") between the Issuer, as issuer, and BNY Trust Company of Canada, as indenture trustee (the "**Indenture Trustee**"), as supplemented by a supplemental indenture dated the date of the issuance of such Series between the Issuer and the Indenture Trustee (a "**Supplemental Indenture**" and collectively with the Master Trust Indenture, the "**Indenture**") authorizing that Series.

Transferor and Servicer:

The Independent Electricity System Operator (the "**IESO**") is a not-for-profit corporation established under the *Electricity Act, 1998* (Ontario). The IESO manages the operation and reliability of Ontario's bulk power system and administers the wholesale electricity market.

Each month, the IESO will determine the shortfall resulting from the rate reduction mandated by the FHPA and record the amount in a variance account. The IESO has the right to recover the balance recorded in the variance account from Specified Consumers (such right, the "**Regulatory Asset**")~~.~~, although the IESO is not entitled to exercise this right before May 1, 2021. The IESO has entered into a master transfer and servicing agreement with the Issuer dated as of December 21, 2017 (as amended, supplemented, restated or otherwise modified from time to time, the "**Master Transfer and Servicing Agreement**") pursuant to which the IESO may, on a monthly basis, offer to transfer a specified portion of the Regulatory Asset to the Issuer in accordance with the FHPA. See *"Transferor and Servicer"*.

Investment Interest:

Upon acceptance of the transfer by the IESO of a specified portion of the Regulatory Asset, the Issuer will acquire an Investment Interest in the Investment Asset, which is a current and irrevocable property right consisting of the ~~right~~rights specified in the FHPA, including the right and interest to impose, invoice, collect, receive and recover the Clean Energy Adjustment from Specified Consumers in accordance with the FHPA and the Regulations. See *"— Clean Energy Adjustment"* below and *"Ontario's Fair Hydro Plan — Regulatory Asset"*, *"Ontario's Fair Hydro Plan — Investment Interest"* and *"The Transferor and Servicer"*.

Clean Energy Adjustment:

The FHPA and the Regulations impose an irrevocable and non-bypassable charge referred to as the Clean Energy Adjustment that will be determined by the Financial Services Manager ~~and will be converted by the OEB into a $/kWh rate and added to the electricity invoices sent to~~based on the calculations and parameters set out in the FHPA. The OEB is required to determine the rates at which Specified Consumers are to be invoiced in order to recover the Clean Energy Adjustment in respected of a specified Reference Period (which is generally a six month period, or a shorter period in certain circumstances). The rates are to be determined by reference to forecasted electricity consumption of Specified Consumers for a period and are expressed as a cent per KWh rate. See *"— Statutory Duties of the OEB"* below.

The required Clean Energy Adjustment ~~is an amount~~will be determined by the Financial Services Manager for each month in a Reference Period ~~(which is generally a six month period, subject to more frequent determinations in certain circumstances)~~ and consists of the sum (without duplication) of: (i) the estimated Finance Amount in

respect of the Reference Period, which ~~includes all financing and other expenses of the Issuer for~~will include an estimate of all repayments, redemptions, funding costs, derivative payments, required deposits, Issuer expenses and taxes, and other amounts paid or payable during such Reference Period, and (ii) the True-up Amount for such Reference Period, all divided by the number of months in the applicable Reference Period.

The "**True-up Amount**" is ~~comprised of~~required to be calculated by the Financial Services manager in accordance with the Regulations. In principle, the True-up Amount should serve to ensure that the collection of the Clean Energy Adjustment is sufficient to pay the Finance Amount when it is due, by capturing any Finance Amounts not previously received in respect of the Clean Energy Adjustment during preceding Reference Periods ~~plus other anticipated shortfalls.~~ .

The True-up Amount ~~accounts for~~may also reflect historical and reasonably foreseeable differences between the ~~required Clean Energy Adjustment~~estimated and actual Finance Amount; between amounts invoiced and amounts collected due to various factors, including applicable taxes, consumer defaults and delays, billing lags and write-offs~~,~~; and variations in billings due to variations in electricity consumption ~~and~~. In determining such differences, the Financial Services Manager is required to have regard to amounts payable that were not collected and any amounts in respect of which an overpayment was made, which may include amounts resulting from a default of Specified Consumers, an Electricity Vendor or the IESO, whether in its capacity as an Electricity Vendor or its activities as agent or otherwise under the FHPA and the Regulations. The Financial Services Manager is obligated to calculate the True-up Amount in respect of each Reference Period so long as all Funding Obligations and other Finance Amounts have not ~~be~~been paid in full. The Financial Services Manager may also, at any time during a Reference Period, determine an interim True-up Amount if, among other things, it reasonably forecasts that the collection of the Clean Energy Adjustment will be insufficient to pay the estimated Finance Amount for ~~such~~a Reference Period.

[Commencing May 1, 2021, a charge in respect of the Clean Energy Adjustment will be included on invoices sent to Specified Consumers, and collected and remitted to the Issuer to pay amounts owing on the Senior Notes and all other administrative and other financing expenses of the Issuer. From July 1, 2017 until April 30, 2021 (the "**Moratorium Period**"), no Clean Energy Adjustment amounts are permitted to be collected from Specified Consumers. During the Moratorium Period, the sole source of funds for payment on the Senior Notes, and the Issuer's other carrying costs, will be the amounts the IESO is obligated to pay under the Regulations during such period. See *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.][7]

Non-bypassability: The FHPA mandates that an amount in respect of the Clean Energy Adjustment shown on an invoice issued to a Specified Consumer is

[7] **Note:** Blakes suggests that this narrative should more precisely track the FHPA. The relevant provisions are Section 25(3) [*the IESO shall not be entitled to collect all or part of the balance recorded in the variance account from specified consumers before May 1, 2021*] and Section 21(4) [*limitation on the Financial Services Manager incurring funding obligations payable through Clean Energy Adjustments from July 1, 2017 to April 30, 2021*].

determinative of the amount of the consumer's indebtedness resulting from the Clean Energy Adjustment, and is irrevocable on invoicing such Specified Consumer and may not be set off or bypassed. See *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

Payment of Carrying Costs during the Moratorium Period:

During the Moratorium Period and extending to July 31, ~~2021,~~2021,[8] the IESO, which is rated A(high) by DBRS Limited ("**DBRS**") and Aa2 by Moody's Investors Services, Inc. ("**Moody's**"), is required under the Regulations to pay and remit to the Issuer any amounts charged to the IESO by the Issuer in respect of its carrying costs. Under the Regulations, "carrying costs" include all funding costs, such as interest on the Senior Notes, and other expenses of the Issuer, other than repayment of principal on any debt obligations of the Issuer (such as principal on the Senior Notes).[9]

Pursuant to the Master Transfer and Servicing Agreement, on or before the fourth business day of each calendar month, the Issuer will submit a carrying costs statement to the IESO certifying the amount of carrying costs estimated to be incurred by the Issuer in the following month. On or before the 14th business day following receipt of the Issuer's carrying costs statement, the IESO is required to deliver the amount specified therein to the Issuer. See *"The Transferor and Servicer"*. The IESO has a $2 billion unsecured credit facility provided by the Ontario Financing Authority, expiring ■, 20■, which can be used to pay the Issuer's carrying costs. The amounts paid by the IESO to fund these carrying costs will be recorded by the IESO in a variance account and form part of the Regulatory Asset that the IESO is expected to transfer to the Issuer in a subsequent period and, upon such transfer, will become part of the Issuer's Investment Interest pursuant to the Regulations.

As security for the performance of its obligation under the Regulations to pay the Issuer's carrying costs, the IESO has granted the Issuer a first-priority security interest in all of its accounts receivable, which includes the amounts receivable by the IESO from Electricity Vendors with respect to the global adjustment charge. See *"The Transferor and Servicer"*. For a further description of the global adjustment charge, see *"The Electricity Industry in Ontario — Electricity Prices"*.

Acceleration of Indebtedness:

A holder of Senior Notes must rely solely on the Clean Energy Adjustment amounts collected and any available reserve accounts for repayment of principal on the Senior Notes. Accordingly, if all or any portion of the principal amount of any indebtedness of the Issuer (including one or more Series of Senior Notes) becomes due and payable during the Moratorium Period and before its scheduled payment date, maturity date or redemption date, the source of funds for repayment of principal may be limited.

If all or any portion of the principal amount of any indebtedness of the Issuer (including one or more Series of Senior Notes) becomes due and payable after the Moratorium Period and before its scheduled payment date, maturity date or redemption date, then the estimated

[8] **Note:** Please clarify this disclosure for consistency with Section 9.1(1) of the General Regulation. This provision states that the IESO shall pay financing entity carrying costs in respect of the period beginning June 1, 2017 (before the Moratorium Period) and ending on July 31, 2021.

[9] **Note:** Consider revising to conform with Section 9.3(3) of the General Regulation. This Section provides that "carrying costs" also include derivative payments, etc.

Finance Amount used by the Financial Services Manager to determine the Clean Energy Adjustment ~~after such time shall~~for a period will be determined without regard to the fact that such amount has become ~~immediately~~ due and payable, unless and only to the extent that the amount of the Clean Energy Adjustment is capable of being increased based on the Fair Allocation Amount for such period. See *"— Fair Allocation Amount and Financing Plan"* below. However, upon such acceleration, all accelerated Senior Notes will be repaid in full before any further payments of principal are made to holders of subordinated indebtedness, including the subordinated debt held by OPG; therefore, collections of the Clean Energy Adjustment that would otherwise have been available to repay the principal amount of subordinated indebtedness in the absence of acceleration of the Senior Notes will instead be applied to repay accelerated Senior Notes. See *"— Subordinated Debt"* below.

Statutory Duties of the OEB:

The OEB is an independent public regulatory agency established under the *Ontario Energy Board Act, 1998*. The *Ontario Energy Board Act, 1998* provides the OEB with the authority to regulate Ontario's electricity market, including the activities of transmitters and distributors.

Under the Regulations, the OEB is responsible for determining the rates at which Specified Consumers are to be invoiced to recover the Clean Energy Adjustment. The rates are expressed ~~in $/~~as a cent per kWh rate and are determined by the OEB by dividing (i) the aggregate Clean Energy Adjustment ~~in respect of the relevant period of time~~ as determined by the Financial Services Manager in respect of the relevant period of time by (ii) the forecast ~~provided by the IESO~~ of electricity consumption of Specified Consumers in respect of such period, based on forecast information provided to the OEB by the IESO. See *"— Statutory and Servicing Duties of the IESO"* below.

Statutory Duties of Electricity Vendors:

Electricity is distributed to almost all Specified Consumers in Ontario through a network of local distributors. See "*Electricity Industry in Ontario*" and the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum for more details regarding the Ontario electricity market and these local distributors.

The FHPA and the Regulations require Electricity Vendors to invoice their Specified Consumers for a charge in respect of the Clean Energy Adjustment ~~commencing May 1, 2021,~~ as determined by applying the rate set by the OEB, which is required to be included as a separate line item on each invoice sent to Specified Consumers. Electricity Vendors are also required to collect, as agent of [the Issuer][10], amounts in respect of the Clean Energy Adjustment, deposit such amounts into a segregated account established for the purpose of receiving those amounts, and hold such amounts in trust for the benefit of [the Issuer][11] until ~~deposited with the IESO and remit such amounts~~remitted to the IESO for the benefit of [the owners of Investment Interests (initially, only the Issuer)].[12] If an Electricity Vendor does not receive payment in full of an invoice issued to a

[10] **Note:** This and similar references to the Issuer should instead refer to Investment Interest owners, of which the issuer is the first, and then cross-refer to the concept of co-ownership in order to facilitate additional financings in the future.
[11] **Note:** Please see note 10.
[12] **Note:** Please see note 10.

Specified Consumer, the Electricity Vendor shall allocate ~~the~~any payment received on a *pro rata* basis to the Clean Energy Adjustment and the other amounts payable under the particular invoice.[13] It is a deemed condition of their distribution license that Electricity Vendors comply with the FHPA.[14]

As security for any failure of an Electricity Vendor that does not have an investment grade rating from DBRS and Moody's to remit Clean Energy Adjustment amounts collected under the FHPA, the IESO is required, pursuant to the Master Transfer and Servicing Agreement, to provide to the Issuer on or prior to the first day of the first billing period when the Clean Energy Adjustment is being invoiced to Specified Consumers, a letter of credit from a provider that satisfies the Rating Agency Condition or a performance guarantee or such other form of security that is acceptable to the Issuer and that satisfies the Rating Agency Condition. The amount of the security required from the IESO is based on a formula as set out in the Master Transfer and Servicing Agreement and will equal: (i) 50% of forecasted Clean Energy Adjustment amounts that are to be collected by such non-investment grade rated Electricity Vendors and held for 45 days prior to the funds being remitted to the Issuer; or (ii) such other amount that satisfies the Rating Agency Condition. See *"The Transferor and Servicer."*

Management Duties of OPG:

OPG has entered into a management agreement (the "**Management Agreement**") with the Issuer pursuant to which the Issuer has delegated to OPG, as manager (the "**Manager**"), all of the powers and duties of managing the Issuer, including determining whether to incur Funding Obligations (including Offerings of Senior Notes) to acquire an Investment Interest or refinance existing Funding Obligations; negotiating and executing, on behalf of the Issuer, all agreements; maintaining accounts and banking records; preparing any offering documents to be furnished by the Issuer to prospective purchasers of Funding Obligations (including the Senior Notes); and preparing financial statements and tax filings on behalf of the Issuer. See *"The Manager"*.

In addition to the powers and duties delegated to the Manager under the Management Agreement, OPG is also required to comply with its duties as Financial Services Manager under the FHPA and the Regulations, including preparing the Financing Plan to evaluate whether potential Funding Obligations should be incurred for the purposes of Financing Entities acquiring and financing an Investment Interest, determining the amount of the Clean Energy Adjustment inclusive of the calculation of any True-up Amount, notifying the OEB of the Clean Energy Adjustment inclusive of any True-up Amount and ensuring that Funding Obligations are incurred in a manner consistent with the Financing Plan. OPG may also administer the Investment Interest on behalf of the Issuer and any other Financing Entities. Subject to OEB approval and the Regulations, OPG is entitled to charge the Issuer a fee, comprised of a base fee and a variable fee, to earn a return and to recover costs and expenditures incurred by OPG on behalf of the Issuer or in relation to the establishment, management

[13] **Note:** Please consider revising this to conform more closely to Section 17(4) of the FHPA.
[14] **Note:** Please confirm.

and administration of the Issuer and its Investment Interest. The priority of the Manager's entitlement to fees is subject to the payment priorities set forth in the Master Trust Indenture. See *"The Manager"*.

Statutory and Servicing Duties of the IESO:

Following the Moratorium Period, the IESO is required, as agent of [the Issuer][15], to receive Clean Energy Adjustment amounts paid to it from Electricity Vendors, deposit such amounts promptly into a segregated account established for the purpose of receiving amounts in respect of the Clean Energy Adjustment, hold such amounts in trust on behalf of [the Issuer] and remit such amounts to [the Issuer] [on a monthly basis, subject to daily remittance being required in certain limited circumstances.][16] In addition, the IESO will provide certain reporting and other servicing duties in favour of the Issuer, including ~~forecasting~~providing forecast information regarding electricity consumption of Specified Consumers and providing such forecast information to the OEB and the Issuer, making commercially reasonable efforts to cause Electricity Vendors to establish segregated accounts into which Clean Energy Adjustment amounts are deposited, remitting such amounts to [the Issuer] and fulfilling certain additional reporting requirements. [Generally, all servicing duties provided by the IESO to the Issuer are provided at no cost to the Issuer.][17] However, the Issuer will reimburse the IESO for certain direct costs relating to the performance by the IESO of its duties and obligations under the Master Transfer and Servicing Agreement that are otherwise not recovered or recoverable by the IESO under the *Electricity Act, 1998* (Ontario). See *"The Transferor and Servicer."*

Change of Law Protection Agreement:

Pursuant to the Change of Law Protection Agreement in favour of the ~~Issuer and the~~ Indenture Trustee, upon a Protection Event and delivery by the Indenture Trustee of a written payment demand, the Province of Ontario is required to make payments in respect of all "Approved Obligations" ~~under~~when due and payable into the ~~Change of Law~~ Protection ~~Agreement and which~~Account (which, provided that the Notes are Approved Obligations, includes payments of amounts that are due and payable in respect of ~~the~~ Notes). The Issuer and Indenture Trustee must ensure that amounts deposited into the Protection Account are applied to pay each Specified Creditor to whom an amount is due and payable under an Approved Obligation.

Generally, an "**Approved Obligation**" under the Change of Law Protection Agreement includes all obligations of the Issuer (except for amounts required to be deposited into any capital account or finance reserve account, or any obligation for the Issuer to pay itself any remaining amounts in the Collection Account pursuant to the Master Trust Indenture), including obligations of the Issuer under the Notes, subject to the satisfaction of certain adherence conditions for those obligations that constitute "Certified Primary Obligations", as defined in the Change of Law Protection Agreement. Subject to certain limited exceptions for refinancings, a "Certified Primary Obligation" includes all Notes, as well as certain other obligations of the Issuer under derivative agreements or under contracts with terms of greater than three years ~~and which~~that are not terminable by the Issuer on less than

[15] **Note:** Please see note 10 regarding bracketed references to the "Issuer" in this paragraph..

[16] **Note:** Please consider disclosing which IESO duties are statutory and which arise under the MTSA. For instance, in this sentence, these time requirements arise from the MTSA. Section 9(2) of the General Regulation requires that the IESO remit within a reasonable period of time.

[17] **Note:** Please confirm.

three years' notice ~~and on payment~~under which the Manager, acting reasonably, expects aggregate payments by the Issuer ~~of~~during the term of the contract in an amount equal to or ~~less~~greater than $5,000,000.

Protection Event:

Each of the following constitutes a "**Protection Event**" for purposes of the Change of Law Protection Agreement:

(a)

(i) the Ontario legislature repeals, and does not replace on an equivalent basis, or amends, the FHPA, in whole or in part, as in effect on the date hereof;

(ii) the Ontario legislature enacts or amends any other statute;

(iii) the Lieutenant Governor in Council repeals, and does not replace on an equivalent basis, the regulations made under ~~or in connection with,~~ the FHPA, in whole or in part, as in effect on the date hereof;

(iv) the Lieutenant Governor in Council, a minister of the ~~Province of Ontario~~Crown, an official of the government or a board or commission all the members of which are appointed by the Lieutenant Governor in Council makes or amends any "regulation" (as defined in Part III of the *Legislation Act, 2006*) as in effect on the date hereof; or

(v) ~~there is~~the implementation of a change in the organization or structure of the IESO or Ontario's electricity market undertaken at the initiative of the Province of Ontario or ~~any~~an entity controlled by the Province of Ontario,

in each case, that (X) adversely affects the ability of the Issuer to receive amounts in respect of its Investment Interest so that it can pay Approved Obligations when due and payable, in each case determined after taking into account and having regard to (i) any funds available at such time to apply to such Approved Obligations, including in any finance reserve account, capital account or collateral posting account applicable under a derivative agreement, (ii) the availability of any credit enhancement agreement to which the Issuer is a party and (iii) any reasonably expected potential effect of a True-up Amount in the Reference Period immediately following the occurrence of an event described in any of clauses (a) to (e) above, or (Y) adversely affects the enforceability of, or adversely changes, the terms and conditions of the Change of Law Protection Agreement or of any of the agreements under which Approved Obligations arise; or

(b) a court of competent jurisdiction determines that all or a portion of the FHPA or the Regulations, as in effect on the date hereof, is *ultra vires* or invalid in a way that adversely affects the ability of the Issuer to receive amounts in respect of its Investment Interest so that it can pay Approved Obligations when due and payable

and that has the effect of the Issuer not in fact having sufficient funds to pay such Approved Obligations that have become due and payable, in each case determined after taking into account and having regard to (i) any funds available at such time to apply to such Approved Obligations, including in any finance reserve account, capital account or collateral posting account applicable under a derivative agreement, (ii) the availability of any credit enhancement agreement to which the Issuer is a party and (iii) any reasonably expected potential effect of a True-up Amount in the Reference Period immediately following the occurrence of an event described in this paragraph (b).

The occurrence of a Protection Event in and of itself will not result in the acceleration of the Senior Notes.

The Province of Ontario's obligation to make payments under the Change of Law Protection Agreement upon a Protection Event and subsequent delivery of a written payment demand by the Indenture Trustee is referred to as the "**Limited Guarantee**".

Upon paying amounts ~~in respect of Approved Obligations, including the Senior Notes, the~~when due and payable in respect of Approved Obligations, including the Senior Notes, into the Protection Account, the Province of Ontario will be subrogated and entitled to all of the rights and interests of applicable Specified Creditors (including Noteholders) under and in respect of the Approved Obligations to the extent of the amounts paid. The Province of Ontario will have ~~a right of subrogation that includes the entitlement to all rights and interests under and in respect of such Approved Obligations, including the security interest in each related Investment Interest and any related property of the Issuer.~~the right to be paid from the Issuer the amounts that the Province of Ontario paid in respect of the Approved Obligations, such amounts being payable in the same order of priority and with the same entitlements accruing to the Province of Ontario as applied to the amounts in respect of the Approved Obligations previously owing to Specified Creditors that the Province of Ontario has paid. The Province of Ontario will also be entitled to the benefit of the Collateral and proceeds therefrom.

Under the Change of Law Protection Agreement, the right to deliver a written payment demand on occurrence of a Protection Event to enforce the Limited Guarantee is the only remedy available to the Indenture Trustee (and to Specified Creditors, to the extent they are permitted to exercise any rights, interests or elections under and in accordance with the Master Trust Indenture). Specified Creditors are not permitted to exercise any rights, interests, or elections under the Change of Law Protection Agreement, other than in the manner and to the extent effected and exercised under, in accordance with and subject to the limitations set forth in the Master Trust Indenture as at December 21, 2017.

Approved Obligations & Adherence Conditions:

Under the Management Agreement, the Manager is required to ensure that all obligations of the Issuer are and remain Approved Obligations

under the Change of Law Protection Agreement.

The Limited Guarantee shall apply to all Certified Primary Obligations that meet the following adherence conditions:

(a) the Certified Primary Obligation when incurred is an Obligation Secured under the Master Trust Indenture;

(b) OPG, as Financial Services Manager, delivers a certificate to the Indenture Trustee ~~prior to~~on or before the incurrence of such obligation certifying that it has complied with all of its obligations to the Province of Ontario and internal requirements and processes in connection with the adherence of the Limited Guarantee to the Certified Primary Obligation; and

(c) the Province of Ontario has not provided a Suspension Notice to the Indenture Trustee, OPG and the Issuer.

All Senior Notes shall constitute Obligations Secured under the Master Trust Indenture and therefore condition (a) above will be satisfied for all Offerings of Senior Notes. It will be a condition to any Offering of Senior Notes that OPG deliver the adherence certificate required pursuant to (b) above or that the Province of Ontario designates in writing that the Senior Notes are Approved Obligations. The Change of Law Protection Agreement provides that delivery of an adherence certificate shall be determinative of satisfaction of this adherence condition, notwithstanding that such certificate may include inaccuracies, be incomplete or otherwise be defective or deficient, and such certificate may be relied upon as conclusive evidence of same.

Suspension Notice & Post-Suspension Refinancing

The Change of Law Protection Agreement will remain in full force and effect ~~for as long as any Senior Notes remain outstanding~~until the indefeasible payment, observance and performance in full of the Approved Obligations.

However, in the following limited circumstances, the Province of Ontario may deliver a Suspension Notice under the Change of Law Protection Agreement: (i) if there has been an acceleration of Funding Obligations in accordance with the provisions of the Master Trust Indenture or an event of default, early amortization event, termination event or similar event or circumstance (including any event that with the passage of time or the giving of notice would become such an event) of or in respect of the obligations of any party under any Program Agreement; (ii) if there has been an uncured breach of covenant ~~or representation of OPG~~, uncured default in performance, or uncured representation, warranty or certification that proves to be incorrect in any material respect on the date made, in each case of OPG (or its officers, in the case of a certification) to the Province of Ontario in connection with its obligations to the Province of Ontario pursuant to internal requirements and processes in connection with the provision or adherence of the Limited Guarantee to or in respect of any Certified Primary Obligations; or (iii) if the Financial Services Manager is no longer the Manager or actions ~~having~~have been taken by or on behalf of the Indenture Trustee to remove the Financial

Services Manager as the Manager.

Upon delivery of a Suspension Notice, the Limited Guarantee shall ~~cease to~~not apply ~~only~~ in respect of obligations incurred by the Issuer (excluding certain refinancings of Approved Obligations as described below) and certain material amendments of outstanding obligations of the Issuer~~, in each case following delivery of a Suspension Notice~~.

Notwithstanding delivery of a Suspension Notice, the Limited Guarantee shall continue to apply to: (i) any Approved Obligations that were incurred prior to the suspension and (ii) any Funding Obligations incurred by the Issuer following a suspension ~~if~~that satisfy the terms and conditions of the Change of Law Protection Agreement, provided that the proceeds of such incurrence are to be used for the purpose of repaying one or more series of Approved Obligations. Accordingly, subject to compliance with the Change of Law Protection Agreement, any Senior Notes or other Funding Obligations that may be issued following a suspension to refinance Senior Notes that were Approved Obligations issued prior to a suspension will continue to have the benefit of the Limited Guarantee.

See *"Change of Law Protection Agreement"*.

Fair Allocation Amount & Financing Plan:

The Fair Allocation Amount is an amount calculated under the FHPA and the Regulations by the Minister of Energy in respect of each Reference Period that, among other things, allocates the estimated value of certain costs allocated to Specified Consumers in respect of the Ontario government's clean energy initiatives ("**Clean Energy Costs**") in proportion to the relative attribution of the value of benefits determined to be derived by or accruing to Specified Consumers as a result of such clean energy initiatives ("**Clean Energy Benefits**") among Specified Consumers. See *"Ontario's Fair Hydro Plan"*.[18]

The Financial Services Manager is required to prepare a Financing Plan under the FHPA to evaluate whether potential Funding Obligations should be incurred by the Issuer or other Financing Entities ~~and having~~for the purposes of acquiring an Investment Interest or for the purposes of a Refinancing. In preparing the Financing Plan, the Financial Services Manager must have regard to certain principles, including that Funding Obligations should be incurred ~~so that~~such that, along with any Funding Obligations already incurred, the estimated Finance Amount that would, subject to any Refinancing, become due and payable during a Reference Period will reasonably align with the Fair Allocation Amount determined in respect of such Reference Period as of the date the Funding Obligations were incurred, after reducing the Fair Allocation Amount by the Readjustment Amount, if any, in respect of the Reference Period.

In other words, the Financing Plan should contemplate the issuance of Funding Obligations from time to time, with terms that would result in Clean Energy Adjustments being payable by Specified Consumers that align with the purposes of the FHPA [, namely, to ensure that present and future Specified Consumers are bearing their share of the costs of

[18] **Note:** Please consider a description of the fair allocation amount that more closely aligns to Section 20(1) of the FHPA.

providing Clean Energy Benefits].[19] Notwithstanding the above, the FHPA provides that each Funding Obligation is deemed to be consistent with the Financing Plan and to provide for the reasonable alignment of the estimated Finance Amount with the Fair Allocation Amount.

[Currently, the Clean Energy Costs have been determined to exceed the Clean Energy Benefits, with the result that the Fair Allocation Amount is negative. This means that the Minister of Energy has determined that current Specified Consumers have borne more than their fair share of Clean Energy Costs (with the consequent rate reduction for current Specified Consumers). The Fair Allocation Amount is expected to be negative until at least May 2024.] [20] Accordingly, the Financing Plan does not currently contemplate the issuance of any Senior Notes maturing prior to May 2024. The Financial Services Manager may, however, determine to refinance Senior Notes maturing after May 2024 through the issuance of another Series of Senior Notes. If Senior Notes cannot be refinanced on or before the applicable Principal Payment Default Date, holders of such Senior Notes will have the ability to accelerate their Senior Notes resulting in Clean Energy Adjustments that would otherwise be used to pay the principal amount on subordinated indebtedness to holders of subordinated Notes being used to pay holders of accelerated Senior Notes.

The Financing Plan allows for the issuance of a variety of short and long term debt. See the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum for more details regarding the Financing Plan and the Fair Allocation Amount.

Subordinated Debt:

Concurrent with every issuance of senior debt by the Issuer, including any Offering of Senior Notes, it is expected that OPG will subscribe for subordinated debt and junior subordinated debt of the Issuer in an amount equal to no more than 49% of all of the Issuer's Funding Obligations, approximately 44% of which is expected to be funded through equity investments in OPG by the Province of Ontario with the remaining 5% being funded from OPG's available funds, including all or a portion of the proceeds of any offerings by OPG of medium term notes.

Under the Master Trust Indenture, the Issuer will be required at all times to ensure that: (i) the aggregate outstanding principal amount of all subordinated debt and junior subordinated debt be not less than 35% of the aggregate outstanding principal amount of all of the Issuer's Funding Obligations; and (ii) the aggregate outstanding principal amount of all junior subordinated debt be not less than 10% of the aggregate outstanding principal amount of all of the Issuer's Funding Obligations.

Use of Proceeds:

The proceeds from each Offering may be used to (i) acquire an Investment Interest from the IESO pursuant to the Master Transfer and Servicing Agreement, (ii) refinance indebtedness of the Issuer (including other Series of Senior Notes), (iii) pay Offering and related

[19] **Note:** Please revise to characterize the purpose of the FHPA as consistent with the stated purposes of the FHPA in Section 3 of the Act.
[20] **Note to MOE:** Please review in particular.

	costs of the Issuer and (iv) fund specific reserve accounts as required. The Term Sheet for each Offering of Senior Notes will identify the amount of proceeds that will be used for such specified purposes.
Interest Rate:	Fixed, floating or otherwise, as determined by the Issuer and as set out in the Term Sheet applicable to such Offering.
Interest Payment Dates:	As determined from time to time by the Issuer and as set out in the Term Sheet applicable to such Offering.
Principal Accumulation Date(s) and Principal Accumulation Amount(s):	As determined from time to time by the Issuer and as set out in the Term Sheet applicable to such Offering.
Principal Payment Date(s) and Principal Payment Amount(s):	As determined from time to time by the Issuer and as set out in the Term Sheet applicable to such Offering.
Principal Payment Default Date:	As determined from time to time by the Issuer and as set out in the Term Sheet applicable to such Offering.
Ranking:	Subject to the applicable payment waterfalls set out in the Master Trust Indenture, the Senior Notes will be direct, secured and unsubordinated obligations of the Issuer, and will at all times rank equally and proportionately with each other and all other senior indebtedness issued by the Issuer from time to time pursuant to the Indenture, without discrimination or preference. See "*Capital Markets Platform — Subordination Provisions*", "*Capital Markets Platform — Acceleration and Remedies — Payment Waterfall Upon Acceleration*".
Security:	All indebtedness and other obligations of the Issuer, including the Senior Notes, will be secured by a first ranking charge against all property and assets of the Issuer, including each Issuer Account (and all funds and property credited thereto), all rights and benefits, and powers of the Issuer under the FHPA and all rights, benefits and power under all Program Agreements, including under the Limited Guarantee. Under the Master Trust Indenture, the Issuer is required to maintain certain reserves: the IESO Cash Reserve Deposit Amount (an amount equal to the aggregate of (i) 0.50% of the aggregate amount of all outstanding senior, subordinated and junior subordinated funding obligations determined as of April 15, 2021, and (ii) an amount estimated as the amount of carrying costs payable during May, June and July 2021, provided such amount in (ii) satisfies the Rating Agency Condition) will be deposited by the IESO by April 30, 2021. There is also a Program Cash Reserve Account which will begin to be funded from Clean Energy Adjustments following the Moratorium Period until it reaches the Program Cash Reserve Required Amount (on each Payment Date on and after May 15, 2021, an amount equal to 0.50% of the aggregate amount of all outstanding senior, subordinated and junior subordinated funding obligations determined as of such date, or such lesser amount that satisfies the Rating Agency Condition). Funds in the IESO Cash Reserve Account will be applied to pay carrying costs after April 2021 to the extent that funds can be so

applied such that the aggregate amount of funds in the IESO Cash Reserve Account and Program Cash Reserve Account is maintained at the Program Cash Reserve Required Amount.

In connection with the incurrence of any Series of Notes, the Issuer may (i) establish a Series Account for purposes of accumulating funds used to make principal payments or for purposes of reserving funds to pay finance charges, and/or (ii) enter into a credit enhancement agreement or liquidity agreement. Whether a Series of Senior Notes has the benefit of a Series Account or any credit enhancement agreement or liquidity agreement will be determined from time to time by the Issuer and set out in the Term Sheet applicable to such Offering.

See "*Capital Markets Platform — Security*".

Priority of Payments:

Prior to an Event of Default and acceleration of the Issuer Funding Obligations (other than Derivative Funding Obligations), amounts available for disbursement will generally be applied in the following order of priority:

- taxes;
- trustee fees, expenses and reimbursement amounts (up to a specified cap);
- payment of or accumulations in respect of interest for senior obligations, *pari passu* with payments under derivative agreements (other than termination payments);
- payment of or accumulations in respect of interest for subordinated obligations;
- payments of or accumulations in respect of interest for junior subordinated obligations;
- payment of or accumulations in respect of principal for warehouse obligations (see *"Warehouse Facilities"*);
- accumulations in respect of principal for senior obligations (other than warehouse obligations), *pari passu* with termination payments under derivative agreements (other than as provided below);
- fees and other amounts (other than principal and interest) on senior obligations;
- the Manager's fees, expenses and reimbursement amounts;
- payment of or accumulations in respect of principal for subordinated obligations;
- fees and other amounts (other than principal and interest) on subordinated obligations;
- payment of or accumulations in respect of principal for junior subordinated obligations;
- replenishment of Program Cash Reserve Account;
- replenishment of Series Accounts (other than accounts established for subordinated obligations or junior subordinated obligations);
- replenishment of Series Accounts established for subordinated obligations;
- fees and other amounts (other than principal and interest) on junior subordinated obligations;
- replenishment of Series Accounts established for junior subordinated obligations;

- termination payments under derivative agreements where the counterparty is the defaulting party or sole affected party;
- beneficiaries of the Issuer;
- indemnity amounts owing to the Manager; and
- all other obligations not specifically dealt with above.

After an Event of Default and acceleration of the Issuer Funding Obligations (other than Derivative Funding Obligations), amounts available to the Issuer or otherwise held by the Indenture Trustee will generally be applied in the following order of priority:

- taxes;
- trustee fees, expenses and reimbursement amounts;
- interest, fees and other amounts (other than principal) on senior obligations and payments under derivative agreements (other than termination payments), *pari passu*, then subordinated obligations (other than principal) and then junior subordinated obligations (other than principal);
- principal for warehouse obligations;
- *pari passu*, principal on senior obligations (other than warehouse obligations) and termination payments under derivative agreements (other than where the counterparty is the defaulting party or sole affected party);
- the Manager's fees, expenses and reimbursement amounts;
- principal for subordinated obligations and then junior subordinated obligations; and
- all other obligations not specifically dealt with above.

Notwithstanding the above, amounts held in a Series Account will be applied in accordance with the relevant Funding Obligation Agreement and amounts held in the Protection Account will be applied in accordance with the specific written payment statement and would not otherwise modify the provisions of the applicable payment waterfalls set out in the Master Trust Indenture.

See "*Capital Markets Platform — Payment Waterfall Prior to Acceleration*" and "*Capital Markets Platform — Acceleration and Remedies — Payment Waterfall Upon Acceleration*".

Currency: Senior Notes may be denominated in any currency. The currency for a particular Series of Senior Notes will be set out in the Term Sheet applicable to such Offering.

Minimum Subscription: Minimum principal amount of 100,000 units of the applicable currency and integral multiple of 1,000 of the applicable currency. The minimum subscription and denomination of the Senior Notes may be varied as set out in the Term Sheet applicable to such Offering.

Optional Redemption: Senior Notes may be subject to redemption prior to maturity at the times and redemption price set out in the Term Sheet applicable to such Offering.

Purchase for Cancellation: The Issuer may, at any time, purchase at any price all or any of the Senior Notes in the market or by invitation for tenders or by private

	contract. Any Senior Notes so purchased shall be cancelled.
Distribution Method:	The Senior Notes may be offered and sold by the Issuer on a private placement basis in Canada to "accredited investors" (as such term is defined in NI 45-106 and, in the case of a purchaser resident in Ontario, section 73.3(1) of the *Securities Act* (Ontario)) who purchase the Senior Notes as principal and that are not individuals unless those individuals are also "permitted clients" (as such term is defined in NI 31-103). By purchasing Senior Notes and accepting a purchase confirmation in respect thereof, a purchaser will be agreeing with and representing to the Issuer and any Agent participating in the trade that the purchaser is an accredited investor purchasing as principal along with certain other matters. See *"Representations and Agreements of Purchasers"*.
Book-Entry Form:	The Senior Notes will be delivered and recorded in book-entry form only through CDS or another depository selected by the Issuer in accordance with the Master Trust Indenture. Each Series of Senior Notes will be evidenced by a global note held by such depository, registered in its name or the name of its nominee, on behalf of all holders of such Series of Senior Notes. Subject to limited exceptions, no purchasers of Senior Notes will be entitled to a certificate or other instrument from the Issuer or CDS evidencing that purchaser's ownership thereof, and no holder of a Senior Note will be shown on the records maintained by CDS except through book-entry accounts of a participant of CDS acting on behalf of owners. See *"Depository Services"*.
Resale Restrictions:	Resale of the Senior Notes will be subject to restrictions under applicable securities legislation which vary depending on the relevant jurisdictions. **The Senior Notes may only be sold on a basis that is in accordance with, or pursuant to an exemption from, the prospectus requirements of applicable provincial securities laws and only through an appropriately registered dealer or pursuant to an exemption from the dealer registration requirements of applicable provincial securities laws.** See *"Restrictions on Resale"*.
Risk Factors:	The purchase of the Senior Notes is subject to risks. Prospective investors should carefully consider the risk factors and other information in this confidential shelf offering memorandum and the Term Sheet for each Offering before purchasing Senior Notes, including the discussion set forth under *"Risk Factors"*, and any additional disclosure set out in the Term Sheet for each Offering.
Indenture Trustee:	BNY Trust Company of Canada.
Issuer Trustee:	Computershare Trust Company of Canada.

THE ELECTRICITY INDUSTRY IN ONTARIO

General Overview

The Ontario electricity industry is principally comprised of three components:

- *Generation*: the production of electricity from various forms of energy, such as wind, solar, hydropower, natural gas and nuclear;
- *Transmission*: the transfer of electricity across high-voltage power lines from generating facilities to local areas; and
- *Distribution*: the delivery of electricity within local areas to homes and businesses using lower voltage power lines.

The structure of Ontario's electricity industry underwent significant changes in the late 1990s and early 2000s. Prior to April 1, 1999, Ontario Hydro, a Crown corporation, supplied most of Ontario's electricity generation and transmission needs. Consistent with initiatives taken in other electricity markets in North America at the time, the electricity industry was restructured in order to encourage greater competition. Ontario's competitive electricity market was opened by the IESO on May 1, 2002 and the market is used to administer the purchase and sale of wholesale electricity in Ontario.

Since the opening of the competitive market, Ontario's power supply mix has experienced significant change. As a result of provincial government policy, coal-fired generation has been eliminated and a significant amount of new capacity has been added as a result of new natural gas powered capacity, new wind and solar capacity and additional baseload nuclear generation capacity. These changes have resulted in significantly increased costs of electricity to consumers in Ontario.

While electricity supply in Ontario has increased, the province's electricity demand as reported by the IESO has fallen over the last decade, largely due to changes in economic conditions and conservation measures. Moreover, the addition of small scale solar generation embedded in the distribution system has reduced the level of demand that is supplied by transmission-connected generation. Reducing electricity demand by encouraging conservation and demand management has been a key part of the Government of Ontario's plan to reduce greenhouse gas emissions from the province's electricity sector. Shorter-term fluctuations in electricity demand are impacted by variations in seasonal weather conditions.

Real-time energy supply needs are met through the wholesale electricity market administered by the IESO. Generators offer their generation into this real-time energy market, or "spot market", to be dispatched by the IESO. The IESO receives hourly offers from electricity generators and importers to provide energy, along with bids to withdraw energy from a few flexible loads and exporters, and then schedules the lowest-cost offers and bids needed to meet demand. Virtually all generators in Ontario also have bilateral contracts with the IESO that provide for payments in addition to the market price of electricity that is paid to generators.

Key Industry Participants

Ontario Power Generation Inc.

OPG is a corporation formed under the *Business Corporation Act* (Ontario), whose sole shareholder is the Province of Ontario. In 1999, when Ontario Hydro was split up in anticipation of deregulation, OPG was formed to hold all of the generation assets. OPG has divested itself of certain of those assets, but remains the largest generator in Ontario.

OPG is Ontario's largest clean energy generator. As at the date hereof, OPG operated two nuclear generating stations, 66 hydroelectric generating stations, three thermal generating stations, and one wind power turbine. OPG's mission is to provide low cost power in a safe, clean, reliable and sustainable manner for the benefit of its customers and its sole shareholder, the Province of Ontario. OPG's electricity generation accounts for almost

half of the total energy generated and injected into Ontario's electricity transmission system, as reported by the IESO. OPG is one of the most experienced and largest generating companies in Canada with a broad set of relationships and capabilities. OPG is also experienced in successful complex financing arrangements of large capital projects, including the recently completed Lower Mattagami project.

Additional information about OPG is provided in the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum and is available at www.opg.com.

The IESO

The IESO is a non-share capital corporation created under the *Electricity Act, 1998* (Ontario). It was created as an amalgamation of two predecessor entities, one of which was also called the IESO ("**Predecessor IESO**") and the other of which was called the Ontario Power Authority ("**OPA**"). Predecessor IESO was responsible for operating the real-time electricity markets in Ontario, as well as administering the market rules. The OPA was the counterparty that entered into bilateral power or capacity purchase contracts with generators. These two entities were merged statutorily on January 1, 2015 into the IESO, which now carries out all of these functions. As a non-share capital corporation, the IESO does not have any shareholders or owners, but it is governed by an independent Board of Directors whose chair and directors are appointed by the Minister of Energy.

Additional information about the IESO is provided in the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum and is available at www.ieso.ca.

The Ontario Energy Board

The OEB is a non-share capital corporation created under the *Ontario Energy Board Act, 1998*. The OEB is an independent and impartial public regulatory agency. The *Ontario Energy Board Act* provides the OEB with the authority to regulate Ontario's electricity market, including the activities of Electricity Vendors.

The OEB has the following objectives in relation to the electricity industry:

(a) to protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service;

(b) to promote the education of consumers;

(c) to promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry;

(d) to promote electricity conservation and demand management in a manner consistent with the policies of the Province of Ontario, including having regard to the consumer's economic circumstances;

(e) to facilitate the implementation of a smart grid in Ontario; and

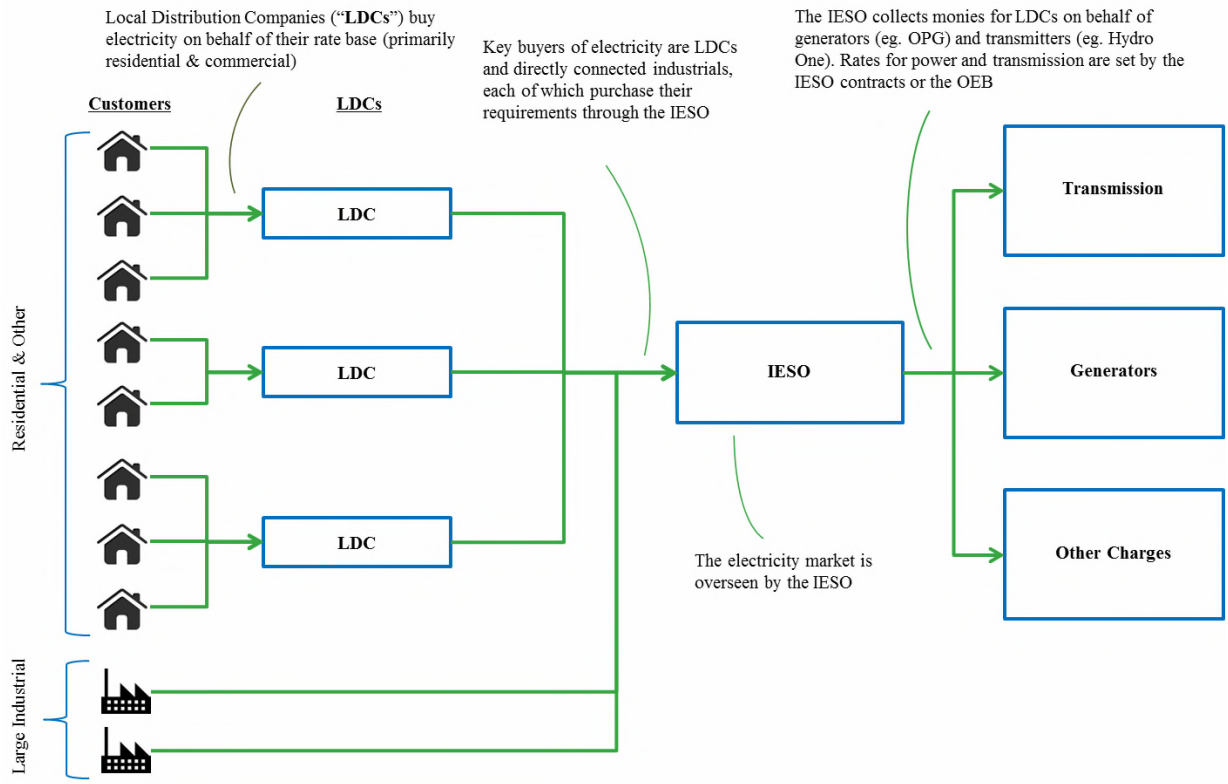
(f) to promote the use and generation of electricity from renewable energy sources in a manner consistent with the policies of the Ontario government, including the timely expansion or reinforcement of transmission systems and distribution systems to accommodate the connection of renewable energy generation facilities.

The OEB is responsible for, among other things, approving transmission and distribution rates in Ontario, as well as payment amounts for OPG's nuclear and hydroelectric generation. It also approves the construction, expansion, or reinforcement of transmission lines greater than two kilometres in length, as well as mergers, acquisitions, amalgamations and divestitures involving distributors, transmitters and other entities which it licenses. The activities of transmitters and distributors are subject to the conditions of their transmission and distribution licenses, as applicable, which require compliance with a number of industry codes issued by the OEB, as well as with

the market rules that are administered by the IESO. These codes and other requirements prescribe minimum standards of conduct and service for licensed participants in the electricity market.

Electricity Vendors

As part of the restructuring of Ontario's electricity industry, the province's municipally-owned electricity distributors were reorganized into separate business corporations. These distributors are typically referred to in Ontario as local distribution companies, or "**LDCs**". An LDC is responsible for distributing electricity to customers in its OEB-licensed service territory, and in some cases to other distributors. A service territory may cover large portions or all of a particular municipality, or an otherwise-defined geographic area. Distribution customers include residential, commercial and industrial end-users, such as governments, schools and hospitals. At multi-unit buildings within an LDC's service territory, there may be a unit sub-metering service provider that provides metering services for each individual unit. These sub-metering service providers are also licensed by the OEB. The following diagram depicts a simplified flow of funds between the key industry participants:



See the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum for more details regarding LDCs.

Electricity Prices

There are two main components that make up the commodity cost of electricity in Ontario, the hourly Ontario energy price ("**HOEP**") and the global adjustment charge.

- The HOEP is set by the IESO on an hourly basis based on bids and offers in the real-time energy market that is administered by the IESO.

- The global adjustment charge is also paid by loads. It is established monthly by the IESO in accordance with regulations and is used to collect funds used by the IESO to pay certain "out of market" costs that are not compensated by the HOEP, including the cost of energy supply contracts

with generators and payments made to certain generators, including OPG, that are entitled to a regulated rate of return based on OEB-established payment amounts. For all loads with a peak demand under 500 kW (in other words, all Specified Consumers), the global adjustment charge is based on electricity usage on a per unit basis.

Prior to the FHPA being passed, the amount collected by the IESO on account of the HOEP and global adjustment charge was approximately equal to the IESO's liabilities, subject to certain periodic true-ups and adjustments to keep the IESO whole.

At the request of the Minister of Energy in 2004, the OEB created the "**Regulated Price Plan**" or "**RPP**", which establishes time-of-use and tiered prices for residential and small commercial customers. Prior to the introduction of the FHPA, the RPP prices were reviewed and changed every six months based on an updated forecast and any accumulated differences between the amounts collected from RPP consumers and the amount paid to generators in the previous period. RPP prices are now established in accordance with the FHPA. Most Specified Consumers are billed for electricity based on the Regulated Price Plan, although some Specified Consumers may be invoiced the HOEP and the global adjustment charge by their LDC for electricity they have consumed. The IESO has also stated that there is one Specified Consumer connected directly to the transmission system and settled by the IESO, not an LDC.

While most residential and small commercial consumers in Ontario choose to purchase their electricity under the RPP, consumers in Ontario may instead choose to buy their electricity from a licensed retailer pursuant to a retail contract that provides a fixed rate for electricity over a specified period. These customers are also required to pay the global adjustment charge in addition to the rate under their retail contract.

In addition to the HOEP and global adjustment charges, or RPP, as the case may be, electricity consumers pay a number of other uplifts and charges, such as transmission and distribution tariffs.

ONTARIO'S FAIR HYDRO PLAN

Background

On June 1, 2017, the Ontario government passed the *Ontario Fair Hydro Plan Act, 2017* (the "**FHPA**")[, legislation that reallocates certain electricity costs over time and provides immediate rate relief to consumers][21]. From July 1, 2017 until April 30, 2018, electricity rates payable by Specified Consumers (a category of consumers that generally is comprised of residential consumers, small businesses and farms) will in effect be the rate that would result in a representative consumer being charged an invoice amount that is 25%[22] less than the rate that would otherwise have been determined by the OEB for that period (the "**Fair Adjustment**").

Under the FHPA, a "**Specified Consumer**" is:

(a) a person who has an account with an Electricity Vendor for the supply of electricity in the Province of Ontario and meets any one of the following criteria:

(i) the person has a demand for electricity of 50 kilowatts or less, or such other amount as may be prescribed by the Regulations;

(ii) the person annually uses not more than 250,000 kilowatt hours of electricity, or such other amount as may be prescribed by the Regulations;

(iii) the person carries on a business that is a farming business for the purposes of the *Farm Registration and Farm Organizations Funding Act, 1993* and either holds a valid registration number assigned under that Act or has had the obligation to file a farming

[21] **Note:** Blakes suggests that this narrative is removed, or if necessary, that the description of the FHPA tracks the purposes of the Act as set out in Section 3 to the Act.

[22] The 25% reduction includes an 8% rebate equivalent to the provincial portion of the harmonized sales tax previously granted by the Ontario government.

business registration form waived pursuant to an order made under subsection 22(6) of that Act;

(iv) the person's account with the Electricity Vendor relates to

(A) a dwelling;

(B) a property within the meaning of the *Condominium Act, 1998*;

(C) a residential complex within the meaning of subsection 2(1) of the *Residential Tenancies Act, 2006*, without regard to section 5 of that Act; or

(D) a property that includes one ~~of~~or more housing units and that is owned or leased by a co-operative within the meaning of the *Co-operative Corporations Act*; or

(v) the person satisfies such criteria as may be prescribed by the Regulations; or

(b) such other person as may be prescribed by the Regulations.

Electricity bills for Specified Consumers for the period between May 1, 2018 and April 30, 2019 are to increase by the rate of inflation (or remain unchanged in the event inflation is negative). Permitted increases after April 30, 2019 will be determined by the Ontario government through additional regulations, though the Ontario government has indicated that rate increases will be held to the rate of inflation until 2021.

Under the FHPA, OPG is appointed as the initial Financial Services Manager and given the authority to, among other things, establish, or cause to be established, one or more financing entities (each, a "**Financing Entity**") to incur payment obligations (such obligations, "**Funding Obligations**") to fund the acquisition of an Investment Interest. The Issuer is a Financing Entity under the FHPA and the Senior Notes are Funding Obligations under the FHPA.

Regulatory Asset

Under the FHPA, each month the IESO determines the shortfall that results from the Fair Adjustment as compared to what the IESO would have been entitled to receive without the Fair Adjustment and records this amount, together with the costs of financing the shortfall, in a variance account.[23] The IESO has the right to recover the balance recorded in the variance account from Specified Consumers (such right, the "**Regulatory Asset**")~~.~~, although the IESO is not entitled to exercise such right before May 1, 2021. The IESO may, in accordance with the FHPA, transfer a specified portion of the Regulatory Asset to a Financing Entity for a cash purchase price equal to the amount recorded in the variance account in respect of such specified portion of the Regulatory Asset. Upon receipt by the IESO of payment by the Financing Entity, the IESO retains no further right, title or interest in the corresponding Investment Interest.

Investment Interest

By acquiring an Investment Interest, the Financing Entity is financing a portion of the shortfall that results from the Fair Adjustment and, as an owner of the Investment Interest, will be entitled to recover ~~all~~ its "Finance Amounts" (the costs of such financing). While a Financing Entity may choose to acquire an Investment Interest from the IESO, it is under no obligation to do so.

If the IESO and a Financing Entity agree to the transfer of a specified portion of the Regulatory Asset from the IESO, such transfer results in the creation of a current and irrevocable property right that is immediately vested in the Financing Entity, free and clear of any adverse claim (such right, the "**Investment Asset**", and the

[23] **Note:** Please consider disclosure of further details as to what is recorded in the variance account. For instance, paragraph 3 of Section 15 in the General Regulation states that amounts incurred by the IESO on or after May 1, 2017 but before the FHPA came into force may be recorded in the IESO deferral.

~~Issuer~~Financing Entity's interest therein, an "**Investment Interest**"). The Investment ~~Interest consists of,~~ Asset consists, collectively, of the following rights and interests of Investment Interest owners (among other things):[24]

(a) the right and interest to impose, invoice, collect, receive and recover the Clean Energy Adjustment from Specified Consumers, including the right to determine the Clean Energy Adjustment in accordance with the FHPA;

(b) the right to receive, collect and recover the Clean Energy Adjustment that is imposed, invoiced and recoverable under the FHPA, including any amounts in respect of the Clean Energy Adjustment that are held by Electricity Vendors or the IESO;

(c) the right to enforce the duties and obligations under the FHPA of each Electricity Vendor to impose, attribute, charge and invoice for the Clean Energy Adjustment;

(d) the right to enforce the duties and obligations under the FHPA of each Electricity Vendor and the IESO to collect, receive and remit amounts received by it in respect of the Clean Energy Adjustment, including all collections and the proceeds of any enforcement action undertaken by any Electricity Vendor to recover payment of the Clean Energy Adjustment;

(e) all rights of any kind related to any of the other property rights or interests that comprise the Investment Interest, including any rights to receive a payment obligation incurred by the IESO as part of the transfer of the Regulatory Asset (such payment obligations incurred by the IESO being "**Funding Rebates**"); and

(f) all revenue, collections, claims, payments, money and proceeds of or derived from the rights described in paragraphs (a) to (e), regardless of whether it is invoiced, collected and maintained together with or commingled with other revenue, collections, claims, payments, money and proceeds.

Clean Energy Adjustment

The "**Clean Energy Adjustment**" is the amount calculated in accordance with the FHPA and payable by Specified Consumers to cover the cost of financing the shortfall that results from the Fair Adjustment. The Financial Services Manager will determine the amount of the Clean Energy Adjustment payable by Specified Consumers for each month of a Reference Period. The Clean Energy Adjustment is based on an estimate of the amount payable by a Financing Entity in a Reference Period in respect of the Finance Amount and the True-up Amount (each as described below).

The "**Finance Amount**" in respect of the Issuer for a ~~Reference Period~~period of time is an amount determined by the Financial Services Manager as follows:

(a) after eliminating any duplication in the following amounts, calculating the sum of the following amounts:

(i) amounts paid or payable during the ~~Reference Period~~period in respect of the payment by or on behalf of the Issuer or the provision by or on behalf of the Issuer for the payment of all or a portion of the principal amount advanced to the Issuer under a Funding Obligation;

(ii) interest, commitment fees or other similar costs payable by or on behalf of the Issuer in respect of Funding Obligations that are paid or payable during the ~~Reference Period~~period;

[24] **Note:** Please consider disclosing in this section that the Investment Asset is a collective right of the Investment Interest owners. While this described explained in a risk factor ("The Issuer may have a co-ownership interest in the Investment Asset with other Financing Entities), additional explanation/ disclosure may be merited here.

(iii) amounts payable by or on behalf of the Issuer to redeem, prepay or repurchase Funding Obligations incurred by or on behalf of the Issuer, including any premium, make-whole or other amount payable to give effect to the prepayment, redemption or repurchase, that are paid or payable during the ~~Reference Period~~period;

(iv) payments required to be made in respect of any derivative agreements during the ~~Reference Period~~period, including ordinary course payments, payments on termination and payments made in connection with margining or collateral arrangements;

(v) amounts deposited, as required under the governing documents of Funding Obligations, into capital accounts or finance reserve accounts during the Reference Period;

(vi) ~~fees~~Issuer expenses, including fees (including fees charged by the Financial Services Manager), charges, costs, indemnities, reimbursements and other amounts incurred or committed to by or on behalf of the Issuer as a result of an activity authorized or permitted under the FHPA, and any taxes on such amounts, in each case that are paid or payable during the ~~Reference Period; and~~period;

(vii) taxes paid or payable by ~~the Issuer~~or on behalf of the Issuer, incurred directly or indirectly by the Issuer, or for which the Issuer is otherwise liable as a result of any activity, undertaking, transaction or event authorized or permitted under the FHPA that ~~are paid or~~ payable during the ~~Reference Period;~~period; and

(viii) amounts paid or payable by or on behalf of the Issuer during the period to any guarantor or surety that made a payment of an amount due and payable under a funding obligation, including pursuant to a guarantee, indemnity, contract of insurance or agreement entered into under subsection 5(2) or (3) of the FHPA;

(b) after eliminating any duplication in the following amounts, calculating the sum of the following amounts:

(i) amounts withdrawn, as required under the governing documents of Funding Obligations, from capital accounts or finance reserve accounts during the ~~Reference Period~~period;

(ii) for any period before May 1, 2021, amounts received during the ~~Reference Period in respect of funding rebates~~period in respect of Carrying Costs and Funding Rebates and for any period on and after May 1, 2021, amounts received during the period in respect of Funding Rebates;

(iii) the aggregate of all amounts received by or on behalf of the Issuer in respect of Funding Obligations during the ~~Reference Period~~period;

(iv) the principal amount of Funding Obligations incurred by the Issuer that are applied to refinance existing Funding Obligation during the ~~Reference Period~~period;

(v) any payments received in connection with a derivative agreement, including ordinary course receipts, payments received on termination and payments received in connection with margining or collateral arrangements, in each case during the ~~Reference Period~~period;

(vi) amounts received by or on behalf of the Issuer as a refund of tax ~~during the Reference Period~~and to which the Issuer is entitled as a result of any activity, undertaking, transaction or event authorized or permitted under the FHPA during the period; and

(c) subtracting the sum calculated under (~~a~~b) from the sum calculated under (~~b~~a).

~~The Clean Energy Adjustment will also take into account a true-up comprised of~~In determining the Clean Energy Adjustment, the Financial Services Manager must also calculate a "**True-up Amount**" in accordance with the Regulations. In principle, the True-up Amount should serve to ensure that the collection of the Clean Energy Adjustments is sufficient to pay the Finance Amount when it is due, by capturing any Finance Amounts not previously received in respect of the Clean Energy Adjustment ~~plus other anticipated shortfalls (the "**True-up Amount**")~~during the preceding Reference Periods. The True-up Amount ~~accounts for~~may also reflect historical and reasonably foreseeable differences between the ~~required Clean Energy Adjustment~~estimated and actual Finance Amount; between amounts invoiced and amounts collected due to various factors, including applicable taxes, consumer defaults and delays, billing lags and write-offs~~,~~; and variations in billings due to variations in electricity consumption ~~and~~. In determining such differences, the Financial Services Manager is required to have regard to amounts payable that were not collected and any amounts in respect of which an overpayment was made, which may include amounts resulting from a default of Specified Consumers, an Electricity Vendor or the IESO, whether in its capacity as an Electricity Vendor or its activities as agent or otherwise under the FHPA and the Regulations. The Regulations obligate the Financial Services Manager to calculate the True-up Amount in respect of each Reference Period so long as all Funding Obligations and other Finance Amounts have not been paid in full. ~~After the final scheduled payment date of the Funding Obligation that has the latest maturity date of all outstanding Funding Obligations, the Financial Services Manager will calculate the True-up Amount quarterly.~~ The Financial Services Manager may also at any time during a Reference Period determine an interim True-up Amount if, among other things, it reasonably forecasts that the collection of the Clean Energy Adjustment will be insufficient to pay the estimated Finance Amount for a Reference Period.

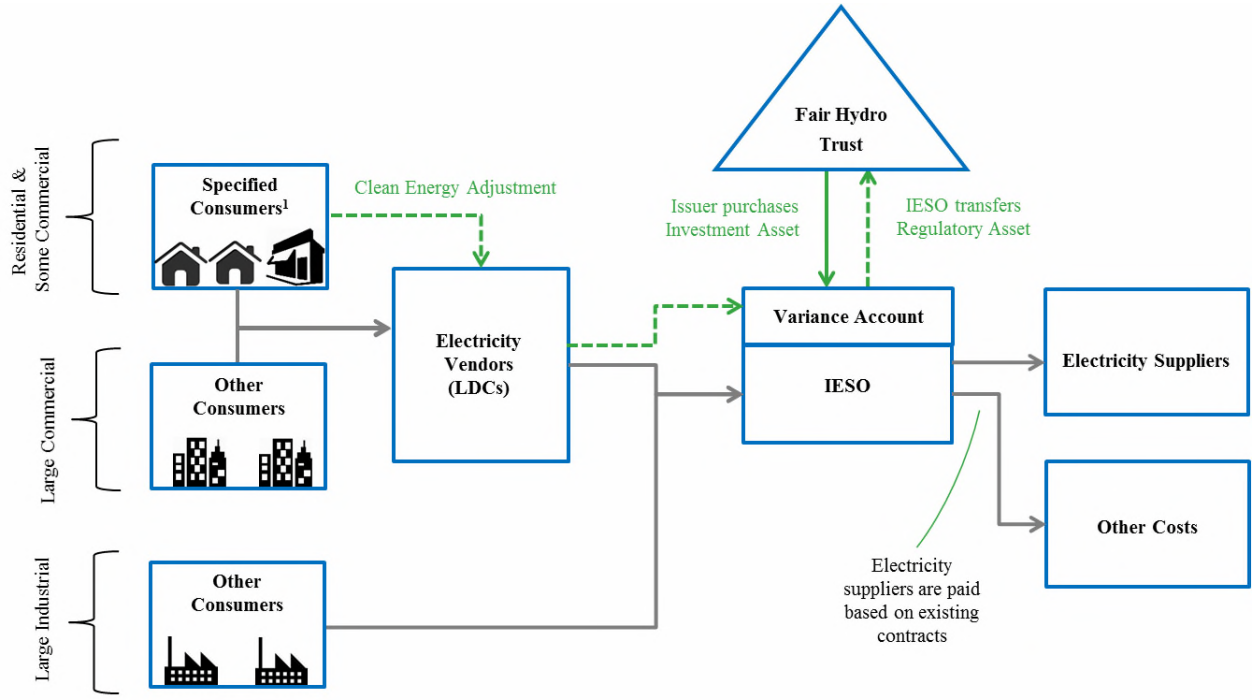
The Financial Services Manager must notify the OEB of the Clean Energy Adjustment for each Reference Period. The OEB must accept this amount and will determine the rates at which Specified Consumers are to be invoiced to recover the Clean Energy Adjustment. The rates are expressed as a ~~$/~~cent per kWh amount and are determined by the OEB by dividing (i) the Clean Energy Adjustment ~~in respect of the relevant period of time~~ provided by the Financial Services Manager in respect of the relevant period of time by (ii) the forecast of electricity consumption ~~provided by the IESO~~ of Specified ~~Consumers~~Creditors in respect of ~~the period~~such period, based on forecast information provided to the OEB by the IESO. Electricity Vendors are required to invoice their Specified Consumers for the Clean Energy Adjustment, as determined by applying the rate set by the OEB, which is required to be included as a separate line item on each invoice. Electricity Vendors are required to collect, as agent of the [Issuer],[25] amounts in respect of the Clean Energy Adjustment, deposit such amounts into a segregated account established for the purpose of receiving those amounts, and hold such amounts in trust for the benefit of the [Issuer] until ~~deposited with the IESO and remit such amounts~~remitted to the IESO for the benefit of the [the owners of Investment Interests (initially, only the Issuer)]. If an Electricity Vendor does not receive payment in full of an invoice issued to a Specified Consumer, the Electricity Vendor shall allocate ~~the~~any payment received on a *pro rata* basis to the Clean Energy Adjustment and the other amounts payable under the particular invoice.[26] It is a deemed condition of their licenses that Electricity Vendors comply with their obligations under the FHPA.[27] If there are any amounts that are collected by the Electricity Vendor, but not remitted to the IESO to remit to [the Issuer] during a Reference Period, such shortfall will be included in the True-up Amount for the subsequent period.

An amount in respect of the Clean Energy Adjustment shown on an invoice issued to a Specified Consumer is determinative of the amount of such Specified Consumer's indebtedness resulting from the Clean Energy Adjustment and is irrevocable upon invoicing and may not be set off or bypassed, except to the extent that the invoice reflects a clerical, typographical or calculation-related error. [Commencing May 1, 2021, a charge in respect of the Clean Energy Adjustment will be included on invoices sent to Specified Consumers, and collected and remitted to the Issuer to pay amounts owing on the Senior Notes and all other administrative and other financing expenses of the Issuer. From July 1, 2017 until April 30, 2021 (the "**Moratorium Period**"), no Clean Energy Adjustments are permitted to be collected from Specified Consumers. During the Moratorium Period, the sole source of funds for payment on the Senior Notes, and the Issuer's other carrying costs, will be the amounts the IESO is

[25] **Note:** Please see note 10 regarding the placement of square brackets around "the Issuer" in this paragraph. The disclosure should indicate that amounts are collected for the Investment Interests owners (and that, as at the date of the OM, the Issuer is the only Investment Interest owner).
[26] **Note:** Please consider revising to conform more closely to Section 17(4) of the FHPA.
[27] **Note:** Please confirm.

obligated to pay under the Regulations during such period.][28] See *"— IESO Payment of Carrying Costs during the Moratorium Period"* below. Once it starts being included on such invoices, the Clean Energy Adjustment will be collected until all outstanding Funding Obligations and other Finance Amounts have been repaid in full. Subject to the FHPA, the Clean Energy Adjustment will be collected and remitted to the Issuer to pay the Finance Amount, including the principal and interest on the Senior Notes and all other administrative and other financing expenses of the Issuer.

The following diagram illustrates the flow of funds under the Fair Hydro Plan.



[1] There is currently one Specified Consumer that is directly connected to the IESO and, accordingly, makes payments, including in respect of the Clean Energy Adjustment, directly to the IESO.

Fair Allocation Amount and Financing Plan

The FHPA was enacted to: (i) ensure that Clean Energy Costs and Clean Energy Benefits are fairly allocated among present and future Specified Consumers; (ii) recognize that Clean Energy Benefits have accrued and will accrue over time and will continue to benefit present and future electricity consumers in Ontario; and (iii) align Clean Energy Costs with Clean Energy Benefits, in order to provide fairness for Specified Consumers over time. Under the FHPA, the Minister of Energy calculates a "**Fair Allocation Amount**", which is an amount for every Reference Period that, among other things, allocates the estimated Clean Energy Costs in proportion to the relative attribution of Clean Energy Benefits among Specified Consumers.[29] Under the FHPA, the Minister of Energy is responsible for determining the Fair Allocation Amount prior to the incurrence of ~~any~~the first Funding ~~Obligations and the~~Obligation. The Fair Allocation Amount may be changed from time to time in accordance with the FHPA , provided that no change of the Fair Allocation Amount shall affect any Clean Energy Adjustment that arises as a result of a Funding Obligation that has been incurred prior to such change.

OPG, as Financial Services Manager, is required to prepare a Financing Plan to evaluate whether and when potential Funding Obligations should be incurred by a Financing Entity to acquire an Investment Interest or for the

[28] **Note:** Blakes suggests that this narrative should more precisely track the FHPA. The relevant provisions are Section 25(3) [*the IESO shall not be entitled to collect all or part of the balance recorded in the variance account from specified consumers before May 1, 2021*] and Section 21(4) [*limitation on the Financial Services Manager incurring funding obligations payable through Clean Energy Adjustments from July 1, 2017 to April 30, 2021*].

[29] **Note:** Please consider a description of the fair allocation amount that more closely aligns to Section 20(1) of the FHPA.

purposes of a Refinancing. The Financial Services Manager is required to prepare the Financing Plan having regard to certain prescribed principles, including that Funding Obligations should be incurred ~~so that~~such that, along with any Funding Obligations already incurred, the estimated Finance Amount that would, subject to any Refinancing, become due and payable during a Reference Period will reasonably align with the Fair Allocation Amount determined in respect of such Reference Period as of the date the Funding Obligations were incurred, after reducing the Fair Allocation Amount by the Readjustment Amount, if any, in respect of the Reference Period. In other words, the Financing Plan should contemplate the issuance of Funding Obligations from time to time, with terms that would result in Clean Energy Adjustments being payable by Specified Consumers that align with the purposes of the FHPA[, namely, to ensure that present and future Specified Consumers are bearing their share of the costs of providing Clean Energy Benefits][30]. Notwithstanding the above, the FHPA provides that each Funding Obligation is deemed to be consistent with the Financing Plan and to provide for the reasonable alignment of the estimated Finance Amount with the Fair Allocation Amount.

[Currently, the Clean Energy Costs have been determined to exceed the Clean Energy Benefits, with the result that the Fair Allocation Amount is negative. This means that the Minister of Energy has determined that current Specified Consumers have borne more than their fair share of Clean Energy Costs (with the consequent rate reduction for current Specified Consumers). The Fair Allocation Amount is expected to be negative until at least May 2024.][31] Accordingly, the Financing Plan does not currently contemplate the issuance of any Senior Notes maturing prior to May 2024. The Financial Services Manager may, however, determine to refinance Senior Notes maturing after May 2024 through the issuance of another Series of Senior Notes. If Senior Notes cannot be refinanced on or before the applicable Principal Payment Default Date, holders of such Senior Notes will have the ability to accelerate their Senior Notes resulting in Clean Energy Adjustments that would otherwise be used to pay the principal amount of subordinated indebtedness to holders of subordinated Notes being used to pay holders of accelerated Senior Notes.

The Financing Plan allows for the issuance of a variety of short and long term debt. See the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum for more details regarding the Financing Plan and the Fair Allocation Amount.

IESO Payment of Carrying Costs During the Moratorium Period

Commencing May 1, 2021, a charge in respect of the Clean Energy Adjustment will be included on invoices sent to Specified Consumers, and collected and remitted to the Issuer to pay amounts owing on the Senior Notes and all other administrative and financing expenses of the Issuer. During the Moratorium Period and extending to July 31, 2021,[32] the IESO, which is rated A(high) by DBRS Limited ("**DBRS**") and Aa2 by Moody's Investors Services, Inc. ("**Moody's**"), is required under the Regulations to pay and remit to the Issuer amounts charged to the IESO by the Issuer in respect of its "carrying costs". "Carrying costs" include all funding costs (such as interest on the Senior Notes) and other expenses of the Issuer, other than repayment of principal on any debt obligations of the Issuer (including repayment of principal on the Senior Notes).[33] The amounts paid by the IESO to fund these carrying costs will be recorded by the IESO in a variance account and form part of the Regulatory Asset that the IESO is expected to transfer to the Issuer in a subsequent period and, upon such transfer, will become part of the Issuer's Investment Interest pursuant to the Regulations.

Pursuant to the Master Transfer and Servicing Agreement, on or before the fourth business day of each calendar month, the Issuer will submit a carrying costs statement to the IESO certifying the amount of carrying costs estimated to be incurred by the Issuer in the following month. On or before the 14th business day following receipt of the Issuer's statement, the IESO is required to deliver the amount specified in the carrying costs statement to the Issuer. See "*The Transferor and Servicer*". The IESO has a $2 billion unsecured credit facility provided by the Ontario Financing Authority, expiring ■, 20■, which can be used to pay the Issuer's carrying costs. Furthermore, as security for the performance of its obligations under the Regulations to pay the Issuer's carrying costs, the IESO has granted the Issuer a first-priority security interest in all of its accounts receivable, which includes the amounts

[30] Blakes suggest that any description of the purpose of the FHPA strictly conforms with the stated purposes of the Act set out in Section 3.
[31] **Note to MOE:** Please review.
[32] **Note:** Please clarify this disclosure for consistency with Section 9.1(1) of the General Regulation. This provision states that the IESO shall pay financing entity carrying costs in respect of the period beginning June 1, 2017 (before the Moratorium Period) and ending July 31, 2021.
[33] **Note:** Consider revising to conform with the definition of "carrying costs" in Section 9.1(3) of the General Regulation.

receivable by the IESO from Electricity Vendors with respect to the global adjustment charge. See *"The Transferor and Servicer"*.

Other Statutory Protections

The FHPA provides certain protection and assurances in respect of the obligations of Specified Consumers to pay amounts in respect of the Clean Energy Adjustment. Generally, no action or omission by the OEB, the Minister of Energy or the ~~Ontario government~~Crown, and no regulation under the FHPA, will be effective to reduce, impair, postpone or terminate the obligations of Specified Consumers to pay amounts in respect of the Clean Energy Adjustment or to impair or postpone the invoicing, collection or remittance of the Clean Energy Adjustment. If an Electricity Vendor, the IESO or the Financial Services Manager, has failed, or will fail, to comply with the FHPA or the Regulations, the Issuer may apply to an Ontario court to make an order directing such party to comply and requiring compensation to be provided to the Issuer by such non-compliant party. Additional contractual protections are provided in the Change of Law Protection Agreement described below.

CHANGE OF LAW PROTECTION AGREEMENT

The following brief summary of certain provisions of the Change of Law Protection Agreement does not purport to be comprehensive or definitive. All references in this confidential shelf offering memorandum to the Change of Law Protection Agreement are qualified in their entirety by reference to the Change of Law Protection Agreement and the detailed provisions thereof. The Change of Law Protection Agreement may be reviewed at the principal office of the Issuer Trustee in Toronto, Ontario during normal business hours while any Senior Notes are outstanding.

Pursuant to the Change of Law Protection Agreement in favour of ~~the Issuer and~~ the Indenture Trustee, upon a Protection Event and delivery by the Indenture Trustee of a written payment demand, the Province of Ontario is required to make payments of amounts that are due and payable in respect of all Approved Obligations when due and payable into the Protection Account (as hereinafter defined). The Issuer and Indenture Trustee must ensure that amounts deposited into the Protection Account are applied to pay each Specified Creditor to whom an amount is due and payable under an Approved Obligation. The Province of Ontario's obligation to make such payments under the Change of Law Protection Agreement upon a Protection Event and delivery by the Indenture Trustee of a written payment demand is referred to as the "**Limited Guarantee**". The Province of Ontario is not obligated to pay or indemnify the Indenture Trustee or any Specified Creditor for consequential, special or punitive damages, or for economic loss or loss of profits (provided that economic loss does not include payments of amounts that are due and payable in respect of the Notes).

Under the Change of Law Protection Agreement, the right to deliver a written payment demand on occurrence of a Protection Event to enforce the Limited Guarantee is the only remedy available to the Indenture Trustee (and to Specified Creditors, to the extent they are permitted to exercise any rights, interests or elections under and in accordance with the Master Trust Indenture). Specified Creditors are not permitted to exercise any rights, interests, or elections under the Change of Law Protection Agreement, other than in the manner and to the extent effected and exercised under, in accordance with and subject to the limitations set forth in the Master Trust Indenture as at December 21, 2017.

In connection with the provision of the Limited Guarantee, OPG, as Financial Services Manager, has entered into a process agreement with the Province of Ontario pursuant to which OPG is required to satisfy certain reporting and other requirements regarding the Issuer's incurrence of, and material amendments to, any Issuer Funding Obligations.

Protection Event

Each of the following constitutes a "**Protection Event**" under the Change of Law Protection Agreement:

(a)

(i) the Ontario legislature repeals, and does not replace on an equivalent basis, or amends, the FHPA, in whole or in part, as in effect on the date hereof;

(ii) the Ontario legislature enacts or amends any other statute;

(iii) the Lieutenant Governor in Council repeals, and does not replace on an equivalent basis, the regulations made under ~~or in connection with,~~ the FHPA, in whole or in part, as in effect on the date hereof;

(iv) the Lieutenant Governor in Council, a minister of the ~~Province of Ontario~~Crown, an official of the government or a board or commission all the members of which are appointed by the Lieutenant Governor in Council makes or amends any "regulation" (as defined in Part III of the *Legislation Act, 2006*) as in effect on the date hereof; or

(v) ~~there is~~the implementation of a change in the organization or structure of the IESO or Ontario's electricity market undertaken at the initiative of the Province of Ontario or ~~any~~an entity controlled by the Province of Ontario,

in each case, that (X) adversely affects the ability of the Issuer to receive amounts in respect of its Investment Interest so that it can pay Approved Obligations when due and payable, in each case determined after taking into account and having regard to (i) any funds available at such time to apply to such Approved Obligations, including in any finance reserve account, capital account or collateral posting account applicable under a derivative agreement, (ii) the availability of any credit enhancement agreement to which the Issuer is a party and (iii) any reasonably expected potential effect of a True-up Amount in the Reference Period immediately following the occurrence of an event described in any of clauses (a) to (e) above, or (Y) adversely affects the enforceability of, or adversely changes, the terms and conditions of the Change of Law Protection Agreement or of any of the agreements under which Approved Obligations arise; or

(b) a court of competent jurisdiction determines that all or a portion of the FHPA or the Regulations, as in effect on the date hereof, is *ultra vires* or invalid in a way that adversely affects the ability of the Issuer to receive amounts in respect of its Investment Interest so that it can pay Approved Obligations when due and payable and that has the effect of the Issuer not in fact having sufficient funds to pay such Approved Obligations that have become due and payable, in each case determined after taking into account and having regard to (i) any funds available at such time to apply to such Approved Obligations, including in any finance reserve account, capital account or collateral posting account applicable under a derivative agreement, (ii) the availability of any credit enhancement agreement to which the Issuer is a party and (iii) any reasonably expected potential effect of a True-up Amount in the Reference Period immediately following the occurrence of an event described in this paragraph (b).

The occurrence of a Protection Event in and of itself will not result in the acceleration of the Senior Notes.

~~The priority of payments made~~

On a Protection Event and payment by the Province of Ontario ~~under the Change of Law Protection Agreement is governed by the Master Trust Indenture. Upon paying amounts in respect of the Approved Obligations, the Province of Ontario will have a right of subrogation that includes the entitlement to all rights and interests under and in respect of such Approved Obligations, including the security interest in each related Investment Interest and any related property of the Issuer.~~of amounts in respect of Approved Obligations that are due and payable into the Protection Account, such deposited amounts are applied by the Issuer and Indenture Trustee in the priority of payments governed by the Master Trust Indenture.

Upon the Province of Ontario's payment of amounts in respect of Approved Obligations that are due and payable into the Protection Account, the Province of Ontario will be subrogated and entitled to all of the rights and

interests of applicable Specified Creditors (including Noteholders) under and in respect of the Approved Obligations to the extent of the amounts paid. Applicable Specified Creditors in respect of whom amounts were deposited into the Protection Account will not have continuing rights, interests or entitlements (including rights as a secured party) in respect of Approved Obligations to the extent so paid; the Province of Ontario will be the absolute assignee of such rights. The Province of Ontario will have the right to be paid from the Issuer the amounts that the Province of Ontario paid in respect of the Approved Obligations ("**Subrogation Amounts**"), such Subrogation Amounts being payable in the same order of priority and with the same entitlements accruing to the Province of Ontario as applied to the amounts in respect of the Approved Obligations previously owing to Specified Creditors that the Province of Ontario has paid. The Province of Ontario will also be entitled to the benefit of the Collateral (as hereinafter defined) and proceeds therefrom to the extent of the amounts paid under the Limited Guarantee.

As payee of Subrogation Amounts, the Province of Ontario will be a Specified Creditor under the Master Trust Indenture and no person entitled under any Obligation Secured (including a Specified Creditor) that ranks equal with or subordinate to the Approved Obligation in respect of which the Province of Ontario is owed a Subrogation Amount will be entitled to make any claim or assert any right in or to the amounts paid or payable to the Province of Ontario, and no such person will have any right to the Collateral or any proceeds therefrom in respect of any Subrogation Amount. Further, the entitlements of the Province of Ontario to Subrogation Amounts arising in respect of Approved Obligations that are interest and principal obligations on Notes will be treated for all purposes of the Master Trust Indenture as interest and principal obligations, respectively, arising under Notes, having the same priority and any applicable voting rights as under the related Approved Obligations, and accordingly the Province of Ontario will be entitled to all of the rights, entitlements, interests and privileges of a holder of such Notes in accordance with the Master Trust Indenture, as supplemented by the supplemental indenture or other indenture document under which the related Approved Obligations were issued.

Approved Obligations & Adherence Conditions

Under the Management Agreement, the Manager is required to ensure that all obligations of the Issuer are and remain Approved Obligations under the Change of Law Protection Agreement.

An "**Approved Obligation**" under the Change of Law Protection Agreement means: (i) a Certified Primary Obligation if the adherence conditions applicable thereto have been satisfied at the time such obligation was incurred; (ii) all other Primary Obligations that are not Certified Primary Obligations (except any Primary Obligation to which the Limited Guarantee will not apply on or after delivery of a suspension notice as described below); and (iii) all Certified Primary Obligations that the Province of Ontario, in its sole discretion, designates in writing is an Approved Obligation.

A "**Primary Obligation**" under the Change of Law Protection Agreements means any Obligation Secured under the Master Trust Indenture (i) that is a Funding Obligation or (ii) that otherwise is a payment obligation of the Issuer that gives rise to a Finance Amount, in each case other than (x) any amounts required to be deposited by or on behalf of the Issuer into any capital account or finance reserve account; and (y) any obligation to pay the Issuer or on the Issuer's direction any remaining amounts in the Collection Account pursuant to the Master Trust Indenture.

A "**Certified Primary Obligation**" means a Primary Obligation: (i) incurred by or on behalf of the Issuer to fund its ownership of an Investment Interest, including any ~~refinancing of a Certified Primary Obligation~~Refinancing, other than a Post-Suspension Refinancing or a Pre-Approved Refinancing (each as defined below), of such a Primary Obligation (for greater certainty, including, in the case of any Certified Primary Obligation permitting funding transactions pursuant to a Funding Obligation Agreement applicable to the Certified Primary Obligation, each individual borrowing or funding utilization thereunder), (ii) incurred by or on behalf of the Issuer upon the Issuer entering into a derivative agreement, in which case the Certified Primary Obligation therefor shall be the Master Agreement applicable to such derivative agreement and not any individual trade confirmation other than a trade confirmation that modifies or purports to override the express terms or conditions of the related Master Agreement, or (iii) incurred by or on behalf of the Issuer upon entering into a contract that has a term of more than three (3) years which is not terminable by the Issuer giving three (3) years' notice or less and expected (as determined by the Manager, acting reasonably) aggregate payments by the Issuer thereunder during the term of such contract are or would be in excess of $5,000,000 (that, for greater certainty, is not otherwise captured in clauses (i) and (ii) above).

The Limited Guarantee shall apply to all Certified Primary Obligations that meet the following adherence conditions:

(a) the Certified Primary Obligation when incurred is an Obligation Secured under the Master Trust Indenture;

(b) OPG, as Financial Services Manager, delivers a certificate to the Indenture Trustee ~~prior to~~on or before the incurrence of such obligation certifying that it has complied with all of its obligations to the Province of Ontario and internal requirements and processes in connection with the adherence of the Limited Guarantee to the Certified Primary Obligation (an "**Adherence Compliance Certificate**"); and

(c) the Province of Ontario has not provided a Suspension Notice to the Indenture Trustee, OPG and the Issuer.

All Senior Notes shall constitute Obligations Secured under the Master Trust Indenture and therefore condition (a) above will be satisfied for all Offerings of Senior Notes. It will be a condition to any Offering of Senior Notes that OPG deliver the adherence certificate required pursuant to (b) above or that the Province of Ontario designates in writing that the Senior Notes are Approved Obligations. The Change of Law Protection Agreement provides that delivery of an adherence certificate shall be determinative of satisfaction of this adherence condition, notwithstanding that such certificate may include inaccuracies, be incomplete or otherwise be defective or deficient, and such certificate may be relied upon as conclusive evidence of same.

Suspension Notice & Post-Suspension Refinancings

The Change of Law Protection Agreement will remain in full force and effect ~~for as long as any Senior Notes remain outstanding~~until the indefeasible payment, observance and performance in full of the Approved Obligations.

However, in the following limited circumstances, the Province of Ontario may deliver a written notice (a "**Suspension Notice**") to the Indenture Trustee, the Financial Services Manager and the Issuer:

(a) an acceleration of Funding Obligations in accordance with the provisions of the Master Trust Indenture or an event of default, early amortization event, termination event or similar event or circumstance (including any event that with the passage of time or the giving of notice would become such an event) of or in respect of the obligations of any party under any Program Agreement;

(b) a default in the performance, or breach, of any covenants of OPG, as Financial Services Manager, or OPG, in its corporate capacity, in each case to the Province of Ontario in connection with its obligations to the Province of Ontario pursuant to internal requirements and processes in connection with the provision or adherence of the Limited Guarantee to or in respect of any Certified Primary Obligation and the expiration of any applicable cure period;

(c) a representation or warranty made by OPG or a certification made by one or more officers of OPG, in each case whether as Financial Services Manager or in its corporate capacity, to the Province of Ontario in connection with its obligations to the Province of Ontario and its internal requirements and processes in connection with the provision or adherence of the Limited Guarantee to or in respect of any Certified Primary Obligations, proves to be incorrect in any material respect on the date made and the expiration of any applicable cure period; or

(d) the Financial Services Manager no longer being the Manager or actions having been taken by or on behalf of the Indenture Trustee to remove the Financial Services Manager as the Manager;

If a Suspension Notice has been provided under the Change of Law Protection Agreement (the provision of such notice being a "**Suspension Event**"), the Limited Guarantee shall not apply in respect of: (i) any Primary Obligation incurred, excluding any Post-Suspension Refinancing, or (ii) any amendment of any Primary Obligation

that has a Material Effect, unless otherwise agreed to by the Province of Ontario, in each case, on or after the time such Suspension Notice is delivered.

Following the occurrence of a Suspension Event, the Limited Guarantee shall continue to apply in respect of any Post-Suspension Refinancing; provided that prior to the Financing Entity incurring any Primary Obligation constituting a Post-Suspension Refinancing, the Manager shall provide the Province of Ontario with at least 30 days' notice of its intention to seek a Post-Suspension Refinancing and during such 30-day period the Province of Ontario may, but is not obligated to, offer to fund such Post-Suspension Refinancing or arrange for another Person to fund such Post-Suspension Refinancing on the same terms as set out in the notice or on such other terms as may be considered by the Province of Ontario to be not more onerous on the Financing Entity and that are acceptable on that basis to the Financing Entity, acting reasonably.

A "**Post-Suspension Refinancing**" means a Funding Obligation that is an Obligation Secured and that is incurred on or after the occurrence of a Suspension Event in compliance with the requirements of the Change of Law Protection Agreement, as a ~~refinancing~~Refinancing of one or more Series of Approved Obligations (including any Pre-Approved Refinancing), in each case the proceeds of which, together with any other funds that may be available, are used solely for the purpose of paying in full such Series of Approved Obligations and any costs and expenses associated with such ~~refinancing~~Refinancing.

A "**Pre-Approved Refinancing**" means a ~~refinancing~~Refinancing of a Certified Primary Obligation in respect of which the Province of Ontario has, prior to the incurrence of such Certified Primary Obligation, agreed shall be an Approved Obligation, subject to compliance with such conditions and requirements as may be specified in such agreement.

A "**Material Effect**" means a material adverse effect on the obligations or the rights of the Province of Ontario under the Limited Guarantee that relates to, and in each case, differs in any material respect from the terms or conditions applicable to any transaction document ~~to which the Limited Guarantee applies and~~ which was previously provided to the Province of Ontario, the following: (i) the timing of or circumstances under which Primary Obligations would or may become due or accrue (including as a result of any default, acceleration, termination, wind-up, liquidation or realization) that, in each case, is inconsistent with the Fair Allocation Amount; (ii) the appointment, obligations or duties of OPG as the Manager; (iii) the existence, powers or authority of the Issuer or the Issuer Trustee; (iv) the obligations of the Indenture Trustee to or in respect of the Province of Ontario as a Specified Creditor; (v) the payment provisions and associated priorities set forth in the Master Trust Indenture; (vi) compliance by the Financial Services Manager with the then applicable Financing Plan; (vii) compliance by the Financial Services Manager or the Issuer with the FHPA or the Regulations; or (viii) the Province of Ontario's rights of subrogation or assignment or its interests as a subrogee or an assignee, that would arise as a result of performing the Limited Guarantee in respect of the applicable Primary Obligation.

Accordingly, notwithstanding delivery of a Suspension Notice, the Limited Guarantee shall continue to apply to: (i) any Approved Obligations that were incurred prior to the Suspension Event and (ii) any Funding Obligations incurred by the Issuer following a Suspension Event if the terms and conditions of the Change of Law Protection Agreement are satisfied and the proceeds of such incurrence are to be used for the purpose of repaying one or more series of Approved Obligations. Accordingly, subject to compliance with the Change of Law Protection Agreement, any Senior Notes or other Funding Obligations that may be issued following a Suspension Event to refinance Senior Notes that were Approved Obligations issued prior to a Suspension Event will continue to have the benefit of the Limited Guarantee.

THE ISSUER

The Issuer is an unincorporated open-ended unit trust established under the laws of the Province of Ontario pursuant to a declaration of trust made December 20, 2017 (the "**Declaration of Trust**"). Computershare Trust Company of Canada (the "**Issuer Trustee**") is the sole trustee of the Issuer, which is a Financing Entity established to incur Funding Obligations for the purpose of acquiring Investment Interests pursuant to the FHPA. The principal business address and head office of the Issuer is in Ontario, in the care of the Issuer Trustee at the following address: 100 University Avenue, 11th Floor, Toronto, Ontario M5J 2Y1.

The following brief summary of certain provisions of the Declaration of Trust does not purport to be comprehensive or definitive. All references in this confidential shelf offering memorandum to the Declaration of Trust are qualified in their entirety by reference to the Declaration of Trust and the detailed provisions thereof. The Declaration of Trust may be reviewed at the principal office of the Issuer Trustee in Toronto, Ontario during normal business hours while any Senior Notes are outstanding.

The Declaration of Trust establishes the Issuer to carry on activities for the exclusive benefit of its unitholders, FHP2017 Inc., a wholly-owned subsidiary of OPG, and BNY Trust Company of Canada, the Indenture Trustee under the Master Trust Indenture (collectively, the "**Unitholders**"). The beneficial interest and rights generally of the Unitholders in the Issuer are limited to the right to participate in distributions when and as declared by the Issuer Trustee and distributions upon the termination of the Issuer. The legal ownership of the trust property and the right to conduct the activities of the Issuer are vested exclusively in the Issuer Trustee and no Unitholder has any right of ownership in any of the trust property. Except in limited circumstances provided in the Declaration of Trust, no Unitholder is entitled to interfere with or give any direction to the Issuer Trustee with respect to the affairs of the Issuer or in connection with the exercise of any powers or authorities conferred upon the Issuer Trustee under the Declaration of Trust. The Issuer Trustee will generally have, free from any power or control on the part of the Unitholders, full authority over the trust property and the activities of the Issuer to the same extent as if the Issuer Trustee were the sole and absolute owner thereof. The Unitholders will also not be subject to any liability arising out of the activities of the Issuer.

The Issuer Trustee, on behalf of the Issuer, has entered into a management agreement with OPG, as Manager, whereby all of the powers and duties of managing the Issuer have been delegated to the Manager. See *"The Manager."*

The permitted activities of the Issuer are limited to:

(a) acquiring, owning, holding, administering or entering into agreements regarding the acquisition and servicing of Investment Interests, along with certain other related assets;

(b) managing, selling, assigning, pledging and collecting amounts due on or otherwise dealing with Investment Interests and certain other related assets in accordance with the terms of the Program Agreements;

(c) negotiating, authorizing, executing, delivering, assuming the obligations under and performing its duties under the Program Agreements;

(d) filing with any applicable securities commission one or more prospectuses, offering memoranda, registration statements or documents necessary or desirable to register one or more series of Funding Obligations under the securities laws of any applicable jurisdiction;

(e) authorizing, executing, delivering, issuing and registering one or more series of Funding Obligations;

(f) making payments on Funding Obligations;

(g) pledging its interest in Investment Interests and related assets to the Indenture Trustee in order to secure Funding Obligations; and

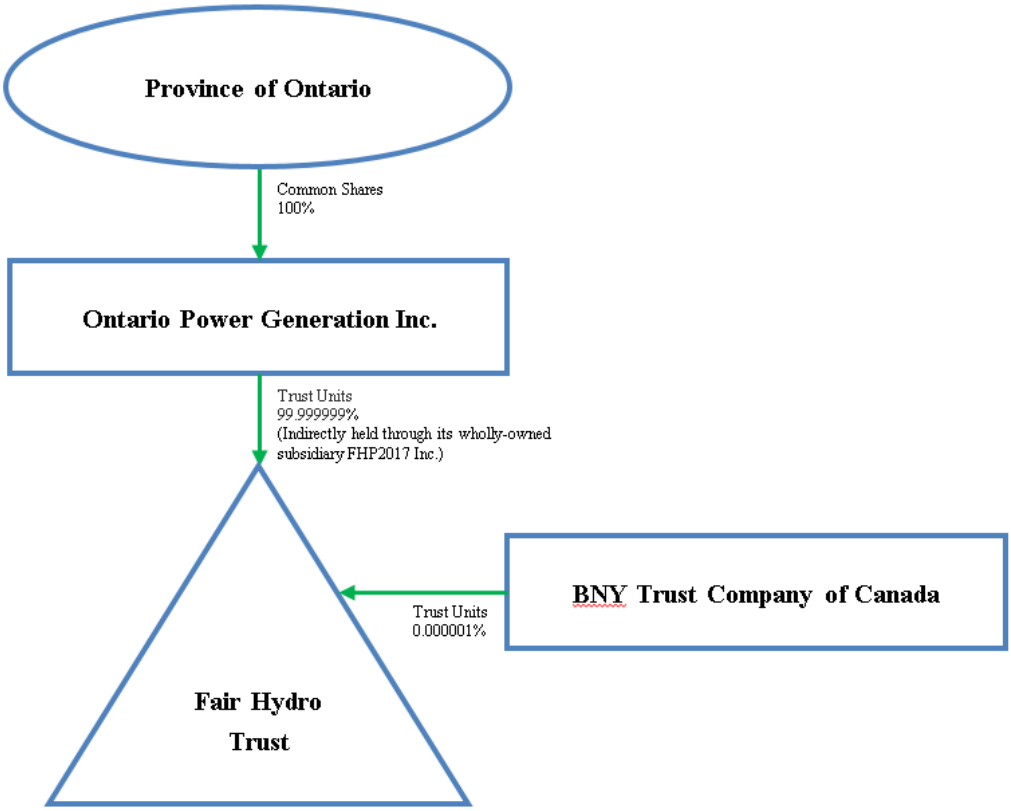
(h) engaging in any lawful act or activity that is incidental to the above-mentioned purposes.

The Issuer Trustee may amend the Declaration of Trust under specified circumstances without the consent of Unitholders provided (i) the amendment will not materially adversely affect the interest of any Unitholder, unless that Unitholder has approved of the amendment in writing, and (ii) in respect of any material amendment, the Rating Agency Condition has been satisfied. The Issuer Trustee is required to provide the Rating Agencies and the Indenture Trustee with a copy of any amendment, variation, supplement, replacement or restatement of the Declaration of Trust.

The consent of the Indenture Trustee, in addition to all other Unitholders, will be required to wind up the Issuer or voluntarily institute or consent to insolvency proceedings against the Issuer while any Funding Obligations remain outstanding. The Issuer Trustee may be removed by the Unitholders at any time by notice in writing delivered to the Issuer Trustee not less than 90 days prior to the date such removal is to take effect. The Issuer Trustee may also be removed by the Unitholders with no prior written notice if it becomes bankrupt or insolvent or it is unable to exercise its duties under the Declaration of Trust. The Issuer Trustee may resign on 120 days' prior written notice to the Unitholders, the Indenture Trustee and the Rating Agencies. No such resignation will be effective until a replacement issuer trustee acceptable to the Unitholders and the Indenture Trustee has been appointed and the Rating Agency Condition has been satisfied.

Each of the Issuer Trustee and its directors, officers, agents, representatives and employees will be indemnified from and against all claims (including any claim arising out of the assessment of any tax on income by a taxing authority), demands, levies, penalties, suits, losses, actions, causes of action, costs, charges, fees and expenses, damages and liabilities whatsoever arising out of, among other things, any action or omission in relation to the execution of the duties of the Issuer Trustee or in relation to the trust property or the activities of the Issuer, except, in each case, for wilful misconduct, gross negligence or failure to comply with the standard of care established by the Declaration of Trust.

The following diagram illustrates the structure of the Issuer and its affiliates.



THE MANAGER

OPG has entered into a management agreement with the Issuer dated as of December 20, 2017 (the "**Management Agreement**") pursuant to which the Issuer has delegated to OPG, as Manager, all of the powers and duties of managing the Issuer. The following brief summary of certain provisions of the Management Agreement does not purport to be comprehensive or definitive. All references in this confidential shelf offering memorandum to the Management Agreement are qualified in their entirety by reference to the Management Agreement and the

detailed provisions thereof. The Management Agreement may be reviewed at the principal office of the Issuer Trustee in Toronto, Ontario during normal business hours while any Senior Notes are outstanding.

The powers and duties delegated to the Manager under the Management Agreement include, among others:

(a) negotiating and executing, on behalf of the Issuer, the Program Agreements;

(b) maintaining accounts and banking records;

(c) enforcing the rights of the Issuer under the Program Agreements and the FHPA;

(d) determining, in accordance with the Financing Plan, when it is appropriate for the Issuer to incur Funding Obligations;

(e) ensuring that all Primary Obligations of the Issuer are and remain Approved Obligations;

(f) administering all activities of the Issuer in connection with the issuance, sale, payment, repurchase and redemption of the Issuer's Funding Obligations;

(g) preparing, in accordance with applicable securities laws, any offering documents to be furnished by the Issuer to prospective purchasers of Funding Obligations, including the Senior Notes, and ensuring that all statements of the Issuer made therein are at all times true and correct in all material respects;

(h) arranging for compliance by the Issuer with any continuous disclosure obligations;

(i) arranging for the retention of legal counsel, accountants and an auditor for the Issuer;

(j) preparing financial statements and paying taxes on behalf of the Issuer;

(k) preparing a monthly portfolio report setting out information regarding incoming and outgoing cash flows; and

(l) providing such other services as are incidental to the foregoing or as may be agreed upon between the Issuer and the Manager.

The Manager is also required to work with the IESO to develop, on or before January 31, 2020, a written implementation plan identifying the actions to be taken by the IESO and the Issuer to facilitate the OEB, the Issuer, the IESO and Electricity Vendors being prepared to perform their obligations under the FHPA and the Regulations when setting, invoicing and collecting the Clean Energy Adjustment. The Manager will deliver written progress reports to the Issuer and the Indenture Trustee on the status of the implementation plan on or before June 30, 2020, October 31, 2020 and January 31, 2021.

Following the Moratorium Period, the Manager will review a monthly servicer report required to be delivered to the Issuer by the IESO under the Master Transfer and Servicing Agreement and make commercially reasonable efforts to resolve any Electricity Vendor failures or discrepancies identified in such report that have not been remedied or adequately explained by Electricity Vendors. The Manager is obligated to institute any proceedings necessary to compel performance by Electricity Vendors of any obligations or duties under the FHPA and the Regulations, including with respect to the invoicing, collection and remittance of Clean Energy Adjustment amounts. Commencing May 1, 2021 and pursuant to its rights under the Regulations,[34] the Manager shall review, or cause to be reviewed, on an annual basis, or less frequently as may be determined by the Manager and subject to satisfaction of the Rating Agency Condition, the records maintained by Electricity Vendors with respect to the Clean

[34] Please confirm the source of the right to review electricity vendor records under the Regulations. If this refers to Section 10(4) of the General Regulation, the right is that of the Issuer or the FSM.

Energy Adjustment and if there is evidence of material non-compliance by an Electricity Vendor, the Manager will promptly review or cause to be reviewed the records of such Electricity Vendor.

The Manager is obligated to perform its duties under the Management Agreement diligently and in conformity with the Issuer's obligations under each of the Program Agreements and with the FHPA and the Regulations, as applicable, and honestly, in good faith and in the best interest of the Issuer. The Manager must exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

In addition to the powers and duties delegated to OPG pursuant to the Management Agreement, OPG has also agreed to comply with its duties under the FHPA in its capacity as Financial Services Manager, including:

(a) preparing the Financing Plan to evaluate whether potential Funding Obligations should be incurred by Financing Entities for the purposes of acquiring Investment Interests in accordance with the FHPA or for the purposes of a Refinancing;

(b) determining the amounts of the Clean Energy Adjustment, inclusive of any True-up Amount;

(c) calculating the True-up Amount;

(d) notifying the OEB of the Clean Energy Adjustment, inclusive of any True-up Amount;

(e) administering the Investment Interests on behalf of Financing Entities in accordance with the Program Agreements;

(f) ensuring that Funding Obligations are incurred in a manner that is consistent with the Financing Plan; and

(g) establishing and charging fees for the services provided under the Management Agreement.

Subject to OEB approval and the Regulations, OPG is entitled to charge the Issuer a fee, comprised of a base fee and a variable fee, to earn a return and to recover costs and expenditures incurred by OPG on behalf of the Issuer or in relation to the establishment, management and administration of the Issuer and its Investment Interest. The priority of the Manager's entitlement to fees is subject to the payment priorities set forth in the Master Trust Indenture.

The Manager is not entitled to resign from its duties or terminate the Management Agreement as long as Funding Obligations remain outstanding. The Manager may be terminated by the Issuer Trustee, with the consent of the Indenture Trustee, or by the Indenture Trustee in accordance with the Master Trust Indenture. No termination of the Manager will be effective until a replacement manager that satisfies the Rating Agency Condition has been approved and has entered into a management agreement with the Issuer whereby the replacement manager agrees to assume, in substance, the obligations of the Manager under the Management Agreement. If the Manager ceases to perform, or inadequately performs, its management duties under the Management Agreement, it might be difficult to find a replacement for the Manager or a successor manager. See "*Risk Factors – Payments on the Senior Notes depend on the performance of OPG as Financial Services Manager and Manager of the Issuer.*"

The Manager shall provide to the Issuer Trustee an annual certificate confirming compliance with certain matters, including: (i) accurate maintenance of the books and records of the Issuer; (ii) all debt obligations and expenses due and payable by the Issuer have been paid to date; (iii) all required filings with tax and regulatory authorities have been completed to date; and (iv) all material statements and reports to be delivered by the Issuer under the Program Agreements have been delivered and all material statements and reports to be received by the Issuer under the Program Agreements have been received.

The Manager indemnifies the Issuer under the Management Agreement for any losses incurred by the Issuer as a result of the failure of the Manager to perform its obligations under the Management Agreement or any breach by the Manager of its representations and warranties under the Management Agreement or any other Program

Agreement to which it is a party, except to the extent such losses result from the willful misconduct, bad faith or gross negligence of the Issuer. Notwithstanding the foregoing, the Manager is not obligated to indemnify the Issuer under the Management Agreement for any losses resulting from: (i) a breach or failure to perform by a third party under any Program Agreement, the FHPA or the Regulations (excluding any delegation by the Manager under the Management Agreement to a third party); (ii) changes in law, (iii) the validity or applicability of the Change of Law Protection Agreement; (iv) the collectability or sufficiency of the Clean Energy Adjustment or carrying costs to satisfy the Issuer Funding Obligations, including the Senior Notes; or (v) any liability of the Issuer incurred after termination of the Management Agreement unless attributable to the actions or omissions of the Manager prior to such termination or in respect of a representation, warranty or covenant that survives such termination.

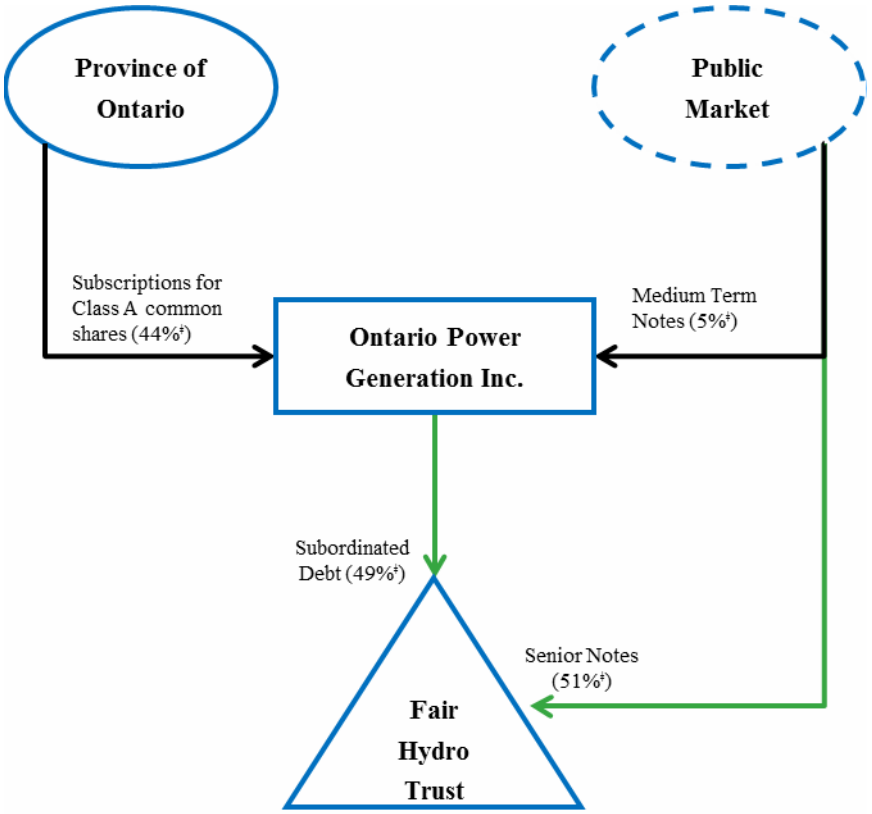
SUBORDINATED DEBT

Concurrent with every issuance of senior debt by the Issuer, including any Offering of Senior Notes, it is expected that OPG will subscribe for subordinated debt and junior subordinated debt of the Issuer in an amount of no more than 49% of all of the Issuer's Funding Obligations, approximately 44% of which is expected to be funded through equity investments in OPG by the Province of Ontario with the remaining approximate 5% being funded from OPG's available funds, including all or a portion of the proceeds of any offerings by OPG of medium term notes).

Under the Master Trust Indenture, the Issuer will be required at all times to ensure that: (i) the aggregate outstanding principal amount of all subordinated debt and junior subordinated debt be equal to not less than 35% of the aggregate outstanding principal amount of all of the Issuer's Funding Obligations; and (ii) the aggregate outstanding principal amount of all junior subordinated debt be equal to not less than 10% of the aggregate outstanding principal amount of all of the Issuer's Funding Obligations.

The Issuer is structured to be bankruptcy remote from OPG insofar as none of OPG, its subsidiaries or holders of its indebtedness will have any recourse whatsoever against the Issuer or its assets other than OPG's rights and remedies as a holder of subordinated debt of the Issuer in accordance with the provisions of that indebtedness. From an accounting perspective, however, the Issuer will be consolidated with OPG.

The following diagram illustrates the expected structure of OPG's investments in subordinated debt of the Issuer.



‡ OPG will acquire up to 49% of the Issuer's outstanding debt in the form of subordinated debt. Actual amounts may vary if OPG acquires less than 49% of the Issuer's outstanding debt.

SHORT TERM INDEBTEDNESS

On December 21, 2017, the Issuer entered into the following supplemental indentures under the Master Trust Indenture for the provision of an aggregate of approximately $1.56 billion in short term indebtedness (collectively, the "**Warehouse Facilities**"), of which a total of $1.179 billion is drawn as of the date hereof:

(i) a warehouse senior series 2017-1 supplemental indenture with, among others, Royal Bank of Canada, as administrative agent for certain commercial paper conduit purchasers and financial institutions named therein, for the provision of an aggregate maximum principal amount of $800,000,000 floating rate variable funding Senior Notes, Series 2017-1 ("**Senior Notes, Series 2017-1**"), of which $601,290,000 is drawn;

(ii) a warehouse subordinated series 2017-1 supplemental indenture with, among others, OPG for the provision of an aggregate maximum principal amount of $611,764,705.88 floating rate variable funding Subordinated Notes, Series 2017-1 ("**Subordinated Notes, Series 2017-1**"), of which $459,810,000 is drawn; and

(iii) a warehouse junior subordinated series 2017-1 supplemental indenture with, among others, OPG for the provision of an aggregate maximum principal amount of $156,862,745.10 floating rate variable funding Junior Subordinated Notes, Series 2017-1 ("**Junior Subordinated Notes, Series 2017-1**"), of which $117,900,000 is drawn.

The issuance of Senior Notes, Series 2017-1, Subordinated Notes, Series 2017-1 and Junior Subordinated Notes, Series 2017-1 under the Warehouse Facilities described above were used to acquire a $1.179 billion Investment Interest from the IESO on December 21, 2017.

THE TRANSFEROR AND SERVICER

The IESO has entered into a master transfer and servicing agreement with the Issuer dated as of December 21, 2017 (the "**Master Transfer and Servicing Agreement**") pursuant to which the IESO may periodically transfer specified portions of the Regulatory Asset to the Issuer. Additional information regarding the IESO, including its most recently published financial statements, is available at www.ieso.ca. Such information does not form part of this confidential shelf offering memorandum and neither the Issuer nor the Agents guarantee the accuracy of such information or has independently verified the accuracy or completeness of any such information or to determine if there has been any omission by the IESO to disclose any facts, information or events which may affect the significance or accuracy of any such financial statements or other information.

The following brief summary of certain provisions of the Master Transfer and Servicing Agreement does not purport to be comprehensive or definitive. All references in this confidential shelf offering memorandum to the Master Transfer and Servicing Agreement are qualified in their entirety by reference to the Master Transfer and Servicing Agreement and the detailed provisions thereof. The Master Transfer and Servicing Agreement may be reviewed at the principal office of the Issuer Trustee in Toronto, Ontario during normal business hours while any Senior Notes are outstanding.

Under the Master Transfer and Servicing Agreement, the IESO may offer, no more frequently than monthly, to transfer to the Issuer its right, title and interest in, to and under a specified portion of the Regulatory Asset. The Issuer has the right, but not the obligation, to accept the IESO's offer. The IESO is responsible for servicing the Issuer's Investment Interest in accordance with the Regulations and the Master Transfer and Servicing Agreement. Its responsibilities including, among others:

(a) establishing a segregated account to be used for the sole purpose of collecting the Clean Energy Adjustment in respect of the Issuer's Investment Interest and making commercially reasonable efforts to cause Electricity Vendors to do the same;

(b) making commercially reasonable efforts to cause each Electricity Vendor to establish procedures for the invoicing of amounts in respect of the Clean Energy Adjustment;

(c) responding to inquiries by Electricity Vendors with respect to the Clean Energy Adjustment and amounts payable in respect thereof;

(d) reviewing reports submitted to the IESO by Electricity Vendors regarding the collection of Clean Energy Adjustment amounts for material manifest discrepancies;

(e) contacting Electricity Vendors on the occurrence of certain events;

(f) holding Clean Energy Adjustment amounts collected in respect of the Issuer's Investment Interest in trust for the benefit of the Issuer and remitting such amounts to the Issuer on a monthly basis, subject to daily remittance being required in certain limited circumstances;

(g) together with the Issuer, settling a form of monthly servicer report to be provided to the Issuer; and

(h) forecasting the electricity consumption of Specified Consumers and providing such forecast information to the OEB and the Issuer.

While the IESO provides no guarantee that collections of the Clean Energy Adjustment from Electricity Vendors will equal amounts invoiced or that the Clean Energy Adjustment amounts will be sufficient to satisfy the Issuer's Funding Obligations, the IESO must follow standards, policies and procedures in performing its servicing duties that are customary for an electricity market operator and administrator that regularly performs settlement functions.

The IESO is required to work with the Manager to develop, on or before January 31, 2020, a written implementation plan identifying the actions to be taken by the IESO and the Issuer to facilitate the OEB, the Issuer,

the IESO and Electricity Vendors being prepared to perform their obligations under the FHPA and the Regulations when setting, invoicing and collecting Clean Energy Adjustment amounts. The IESO and the Manager will deliver to the Issuer written progress reports on the status of the implementation plan on or before June 30, 2020, October 31, 2020 and January 31, 2021. The IESO is also required to work with the Issuer to settle a form of monthly servicer report, which will be provided to the Manager on or before the 20th business day after the end of each month in which Clean Energy Adjustment amounts are collected by Electricity Vendors from Specified Consumers, and which report is expected to contain available information regarding the Clean Energy Adjustment amounts billed, collected and remitted by Electricity Vendors, actual electricity consumption compared to forecast electricity consumption and such other information as may be agreed to by the IESO.

Generally, all servicing duties provided by the IESO to the Issuer are provided at no cost to the Issuer.[35] However, the Issuer will reimburse the IESO for its direct costs relating to the performance by the IESO of its duties and obligations under the Master Transfer and Servicing Agreement that are not otherwise recovered by the IESO under the *Electricity Act, 1998* (Ontario), excluding any costs relating to the performance of the IESO's duties and obligations under the FHPA or the Regulations, including its obligation to pay the Issuer's carrying costs.

During the Moratorium Period and extending to July 31, 2021, the IESO, which is rated A(high) by DBRS and Aa2 by Moody's is required under the Regulations to pay and remit to the Issuer amounts charged to the IESO by the Issuer in respect of its carrying costs. Under the Regulations "carrying costs" include all funding costs, such as interest on the Senior Notes, and other expenses of the Issuer, other than repayment of principal on any debt obligations of the Issuer, including repayment of principal on the Senior Notes.[36] Pursuant to the Master Transfer and Servicing Agreement, on or before the fourth business day of each calendar month, the Issuer will submit a carrying costs statement to the IESO certifying the amount of carrying costs estimated to be incurred by the Issuer in the following month. On or before the 14th business day following receipt of the Issuer's carry costs statement, the IESO is required to deliver the amount specified therein to the Issuer. The IESO has a $2 billion unsecured credit facility provided by the Ontario Financing Authority, expiring ■, 20■, which can be used to pay the Issuer's carrying costs.

As security for the performance of its obligation to pay the Issuer's carrying costs, the IESO has granted the Issuer a first-priority security interest in all of its accounts receivable, which includes the amounts receivable by the IESO with respect to the global adjustment charge. The amounts paid by the IESO to fund these carrying costs will be recorded by the IESO in a variance account and form part of the Regulatory Asset which is expected to be offered by the IESO for transfer to the Issuer in a subsequent period and, upon completion of such transfer, shall become part of the Issuer's Investment Interest pursuant to the Regulations.

As security for any failure of Non-Investment Grade Rated Electricity Vendors to remit Clean Energy Adjustment amounts collected under the FHPA, the IESO is required, pursuant to the Master Transfer and Servicing Agreement, to provide to the Issuer on or prior to the first day of the first billing period when the Clean Energy Adjustment is being invoiced to Specified Consumers, a letter of credit from a provider that satisfies the Rating Agency Condition or a performance guarantee or such other form of security that is acceptable to the Issuer and that satisfies the Rating Agency Condition. A "**Non-Investment Grade Rated Electricity Vendor**" means any Electricity Vendor that does not have a rating of: (i) "Baa3" or higher by Moody's, unless otherwise agreed to by Moody's; and (ii) "BBB(low)" or higher by DBRS, unless otherwise agreed to by DBRS.

The amount of security required from the IESO will be calculated on an annual basis and will be equal to the amount determined by the following formula:

((A / B) x C x D / 365 x E)

where A, B, C, D and E are as follows:

A = for the most recently completed twelve-month period, the aggregate amount of energy consumed by Specified Consumers of all Non-Investment Grade Rated Electricity Vendors.

[35] **Note:** Please confirm.

[36] **Note:** Consider a description of "carrying costs" that conforms to the definition set out in Section 9.1(3) of the General Regulation. Also note that the Glossary defines "Carrying Costs" as having the meaning ascribed to the term in the Regulations.

B = for the same twelve-month period used for A, the aggregate amount of energy consumed by all Specified Consumers.

C = for the most current twelve-month forecast period available, the Clean Energy Adjustment amounts estimated to be payable by all Specified Consumers.

D = 45, representing the estimated number of days that total Clean Energy Adjustment amounts are expected to be held by Electricity Vendors.

E = 0.50 or another value as mutually agreed to in writing by the Issuer and the IESO and that satisfies the Rating Agency Condition.

The Master Transfer and Servicing Agreement sets out specific servicer defaults. Upon the occurrence of a servicer default, the Issuer will be entitled to appoint a replacement servicer that will perform the IESO's duties as servicer under the Master Transfer and Servicing Agreement. Any replacement servicer must be permitted under the FHPA to perform the duties of servicer, the Rating Agency Condition must be satisfied and the replacement servicer must enter into a master transfer and servicing agreement with the Issuer having substantially the same terms as the Master Transfer and Servicing Agreement.

The IESO has agreed to indemnify the Issuer for any losses incurred by the Issuer as a result of the failure of the IESO to perform its obligations under the Master Transfer and Servicing Agreement or any other Program Agreement to which it is a party or the breach by the IESO of any of its representations or warranties under the Master Transfer and Servicing Agreement or any other Program Agreement to which the IESO is a party, except to the extent such losses result from the willful misconduct, bad faith or gross negligence of the Issuer. Notwithstanding the foregoing, the IESO is not obligated to indemnify the Issuer under the Master Transfer and Servicing Agreement for any losses resulting from: (i) a breach or failure to perform by a third party under any Program Agreement, the FHPA or the Regulations (excluding any delegation by the IESO under the Master Transfer and Servicing Agreement to a third party); (ii) changes in law, (iii) the collectability or sufficiency of the Clean Energy Adjustment to satisfy the Issuer's Funding Obligations, including the Senior Notes; or (iv) any liability of the Issuer incurred after termination of the Master Transfer and Servicing Agreement unless attributable to the actions or omissions of the IESO prior to such termination or in respect of a representation, warranty or covenant that survives such termination.

CREDIT RATINGS

Credit ratings are intended to provide investors with an independent measure of the credit quality of securities and are indicators of the likelihood of the payment capacity and willingness of an issuer to meet its financial commitment on an obligation in accordance with the terms of such obligation. The credit ratings accorded to the Senior Notes are not recommendations to purchase, hold or sell such securities inasmuch as such ratings are not a comment upon the market price of the securities or their suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

The Term Sheet for each Offering will identify the rating of the applicable Senior Notes at the time of such Offering.

RATING AGENCY CONDITION

The Program Agreements provide that certain actions are subject to the "**Rating Agency Condition**". In each such case, satisfaction of the Rating Agency Condition requires: (a) that the Issuer has delivered written notice of the proposed action to the Rating Agencies at least ten business days prior to the effective date of such action; and (b) that the Rating Agencies shall have informed the Issuer prior to the effective date of such action that such action will not result in the reduction or withdrawal of the rating in effect with respect to the Notes immediately before the taking of such action. If the Rating Agency Condition is to be satisfied without specifying one or more specific Series or Tranches of Notes, the Rating Agency Condition must be satisfied with respect to all outstanding Series or Tranches of Notes.

CAPITAL MARKETS PLATFORM

The Financial Services Manager has developed a Financing Plan for the Issuer which encompasses an ongoing program which allows for the issuance of a variety of short and long term debt, as well as interest rate and currency swaps and other hedging instruments.

The Master Trust Indenture establishes common security and a set of common covenants given by the Issuer for the benefit of all of its creditors. Notes are issued under Supplemental Indentures and in certain cases, Terms Documents. Borrowings are incurred pursuant to liquidity agreements or loan agreements. Notes and Borrowings incurred by the Issuer are Issuer Funding Obligations. Each Issuer Funding Obligation will be part of a Class and Series of Issuer Funding Obligations, and may include one or more Tranches. A Class designation determines the relative seniority for receipt of cash flows. See *"— Subordination Provisions"*, *"— Payment Waterfalls Prior to Acceleration*" and "*— Acceleration and Remedies — Payment Waterfall Upon Acceleration*". Tranches of Issuer Funding Obligations may differ from each other as to the interest rate, maturity and the timing, sequential order and amount of payments of principal or interest, or both.

The following summary of the principal provisions contained in the Master Trust Indenture does not purport to be comprehensive or definitive. This overview summarizes certain provisions of the Master Trust Indenture and omits descriptions of many provisions which may be considered to be of a customary nature. All references in this confidential shelf offering memorandum to the Master Trust Indenture are qualified in their entirety by reference to the Master Trust Indenture and the detailed provisions thereof. The Master Trust Indenture may be reviewed at the principal office of the Issuer Trustee in Toronto, Ontario during normal business hours while any Notes are outstanding.

Indenture Trustee

BNY Trust Company of Canada, a trust company governed by the laws of Canada, is the Indenture Trustee under the Master Trust Indenture.

Under the terms of the Master Trust Indenture, the Issuer has agreed to pay the Indenture Trustee reasonable compensation for the performance of its duties under the Master Trust Indenture. The Indenture Trustee has agreed to perform only those duties expressly set forth in the Master Trust Indenture. Many of the duties of the Indenture Trustee are described throughout this confidential shelf offering memorandum. Under the terms of the Master Trust Indenture, the Indenture Trustee's limited responsibilities include the following:

- to authenticate, deliver, cancel and otherwise administer the Notes;
- to serve as the registrar in respect of the Notes;
- to establish and maintain all Issuer Accounts and to maintain accurate records of activity in those accounts;
- to serve as the Paying Agent and distribute and transfer funds at the direction of the Manager in accordance with the terms of the Master Trust Indenture;
- to invest funds in the Issuer Accounts at the direction of the Manager (or its agent);
- to deliver to Specified Creditors notice of any Default, Event of Default, Acceleration Event, Protection Event or Servicer Default of which it has received notice, as required under the Master Trust Indenture; and
- to perform certain other administrative functions identified in the Master Trust Indenture.

In the exercise of its duties, the Indenture Trustee will use the same degree of care and skill as a reasonably prudent person would use in comparable circumstances. When all Issuer Funding Obligations have been satisfied and discharged (see "*— Satisfaction and Discharge*"), the Indenture Trustee will no longer act as Indenture Trustee and

will have no fiduciary responsibilities to any remaining Specified Creditors and will act only as security agent for those remaining Specified Creditors. The Indenture Trustee is not liable for any errors of judgment as long as the errors are made in good faith and the Indenture Trustee was not negligent. Furthermore, the Indenture Trustee will not be liable for any action taken or not taken by it in good faith if directed to do so by Extraordinary Resolution. The Indenture Trustee is not required to expend or risk its own funds, or incur any financial liability in the exercise of its duties under the Master Trust Indenture and it will not be obliged to exercise any of its rights under the Master Trust Indenture at the request of any Controlling Class Creditor unless such Controlling Class Creditor has provided it with security or an indemnity reasonably satisfactory to it.

In addition to the Indenture Trustee's compensation and the reimbursement of the Indenture Trustee's expenses in connection with the Master Trust Indenture, the Issuer will indemnify the Indenture Trustee for any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the administration of the trusts under the Master Trust Indenture. The payment of all such amounts will be subject to the payment waterfalls set out in the Master Trust Indenture and in certain instances, such amounts will be higher in priority than payments to Noteholders. See "*— Payment Waterfalls Prior to Acceleration — Collection Account*", "*— Payment Waterfalls Prior to Acceleration — Protection Account*" and "*— Acceleration and Remedies — Payment Waterfall Upon Acceleration*".

The Indenture Trustee may resign at any time by giving written notice to the Issuer and it may be removed for any reason by Ordinary Resolution of Controlling Class Creditors. The Indenture Trustee must resign if a material conflict of interest arises in its role as an Indenture Trustee under the Master Trust Indenture and such conflict of interest is not eliminated within 90 days after the Indenture Trustee becomes aware of such material conflict of interest. The Issuer may remove, or any Controlling Class Creditor who has been a *bona fide* Controlling Class Creditor for at least six months may, on behalf of itself and all other Debtholders, petition any court of competent jurisdiction for the removal of the Indenture Trustee if (i) the Indenture Trustee is no longer eligible to act as trustee under the Master Trust Indenture (and any Supplemental Indenture) and fails to resign after it has received a written request to do so by the Issuer or by any Controlling Class Creditor, (ii) the Indenture Trustee becomes incapable of acting, or (iii) the Indenture Trustee becomes subject to any bankruptcy or insolvency related events. In all such circumstances, the Issuer must appoint a successor Indenture Trustee. Any resignation or removal of the Indenture Trustee and appointment of a successor Indenture Trustee will not become effective until the successor Indenture Trustee accepts the appointment. If an instrument of acceptance by a successor Indenture Trustee has not been delivered to the Indenture Trustee within 30 days of giving notice of resignation or removal, the Indenture Trustee may petition a court of competent jurisdiction to appoint a successor Indenture Trustee.

Any successor Indenture Trustee will execute and deliver to the Issuer and its predecessor Indenture Trustee an instrument accepting such appointment. The successor Indenture Trustee must be a bank, a trust company or a corporation organized and doing business under the laws of Canada or of any province or territory thereof, authorized under such laws to carry on a trust business in each of the provinces and territories of Canada. The Issuer may not, nor may any person directly or indirectly controlling, controlled by, or under common control with the Issuer, serve as Indenture Trustee.

The Indenture Trustee may become the owner or pledgee of Notes and may otherwise deal with the Issuer with the same rights it would have if it were not the Indenture Trustee (subject to its obligation to resign if there is a material conflict).

Conditions Precedent to Incurrence of Obligations Secured

There is no limit on the aggregate amount of indebtedness or other obligations which may be secured under the Master Trust Indenture. However, the Issuer will not be permitted to incur any Issuer Funding Obligations or other obligations unless the Issuer meets the conditions described below under *"— Issuer Funding Obligations"* and *"— Other Obligations Secured"*.

Issuer Funding Obligations

The Issuer may not incur any new Issuer Funding Obligations, or renew or extend any existing Issuer Funding Obligations (in each case, other than Derivative Funding Obligations), unless the conditions described

below are met on or prior to the date that the Issuer enters into a definitive agreement in respect of such Issuer Funding Obligations:

(a) the Issuer delivers to the Indenture Trustee and each Rating Agency notice of such incurrence;

(b) the Issuer delivers to the Indenture Trustee and each Rating Agency a certificate to the effect that:

(i) the Issuer reasonably believes that such incurrence will not cause an Adverse Effect; an "**Adverse Effect**" means that such action will at the time of its occurrence (a) result in the occurrence of an Event of Default or any event which with the giving of notice or passage of time, or both, would become an Event of Default, (b) adversely affect the amount or timing of any payment to be made to any Debtholder or Derivative Counterparty pursuant to the Master Trust Indenture or any Program Agreement, (c) materially adversely affect the amount or timing of payments to be made to the Specified Creditors (other than Debtholders and Derivative Counterparties) pursuant to this Indenture or any Program Agreement, or (d) adversely affect the security interest and the rights and remedies of the Indenture Trustee in respect thereof;

(ii) all instruments furnished to the Indenture Trustee conform to the requirements of the Master Trust Indenture and constitute sufficient authority under the Master Trust Indenture for the Indenture Trustee to (A) in the case of an issuance of Notes only, authenticate and deliver such Notes, and (B) in the case of all other Issuer Funding Obligations, execute and deliver the applicable Funding Obligation Agreement;

(iii) in the case of an issuance of Notes only, the form and terms of the Notes have been established in conformity with the provisions of the Master Trust Indenture;

(iv) the incurrence of such Issuer Funding Obligation is consistent in all material respects with the Financing Plan; see *"Ontario Fair Hydro Plan — Fair Allocation Amount and Financing Plan"*;

(v) the conditions set out in clauses (c), (d), (g) and (k) below are met; and

(vi) such other matters as the Indenture Trustee may reasonably request;

(c) the representations and warranties of the Issuer in the Master Trust Indenture are true and correct in all material respects;

(d) the Rating Agency Condition is satisfied with respect to all outstanding Series or Tranches of Issuer Funding Obligations;

(e) the Indenture Trustee receives either:

(i) a certified copy of the instrument whereby the Province of Ontario designated in writing that such Issuer Funding Obligation is an Approved Obligation as contemplated by the Change of Law Protection Agreement; or

(ii) both (A) an Adherence Compliance Certificate addressed to the Indenture Trustee with respect to such Issuer Funding Obligation delivered in accordance with the Change of Law Protection Agreement; and (B) a certificate signed by the Manager certifying that the Province of Ontario has not provided a Suspension Notice;

(f) the Issuer delivers to the Indenture Trustee copies of the applicable Funding Obligation Agreement, including in the case of Notes, a Supplemental Indenture relating to the applicable Series or Tranche of Notes and, if applicable, a Terms Document relating to the applicable Tranche of Notes;

(g) in the case of Senior Funding Obligations only, the Issuer has Subordinated Funding Obligations and Junior Subordinated Funding Obligations in an aggregate outstanding principal amount equal to not less than 35% of the aggregate outstanding principal amount of the aggregate Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations (after giving effect to such incurrence) and in the case of Subordinated Funding Obligations only, the Issuer has Junior Subordinated Funding Obligations in an aggregate outstanding principal amount equal to not less than 10% of the aggregate outstanding principal amount of the aggregate Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations (after giving effect to such incurrence);

(h) except in the case of Notes, the Issuer delivers to the Indenture Trustee an updated list of the Specified Creditors;

(i) each Debtholder in respect of such Issuer Funding Obligation (or an authorized agent on their behalf) has made the acknowledgements and agreements described below under "*— Acknowledgements of Specified Creditors*";

(j) the Change of Law Protection Agreement is in full force and effect against the Province of Ontario or has been replaced with a new agreement that is in form and substance satisfactory to Controlling Class Creditors pursuant to an Ordinary Resolution;

(k) the conditions precedent, if any, specified in the applicable Funding Obligation Agreement are satisfied; and

(l) in the case of an issuance of Notes only:

(i) the Indenture Trustee receives a certificate for the certification and delivery of the Notes and specifying the particulars relating to such Notes;

(ii) in the case of Notes described in section 163(f)(2)(A) of the Internal Revenue Code, if such Notes are not in registered form (including by reason of a book entry system described in section 163(f) of the United States Internal Revenue Code of 1986), then such Notes are described in section 4701(b)(1)(B) of the United States Internal Revenue Code of 1986 and such section will apply to such Notes; and

(iii) in the case of foreign currency Notes, the Issuer appoints one or more Paying Agents in the appropriate countries, if requested by the Indenture Trustee.

Periodic drawdowns under existing Funding Obligation Agreements will not constitute a new incurrence of Issuer Funding Obligations. However, an increase in the aggregate commitment under an existing Funding Obligation Agreement or the issuance of additional Notes of an outstanding Series or Tranche of Notes will constitute a new incurrence of Issuer Funding Obligations.

The Indenture Trustee is not required to and, except as otherwise provided in a Funding Obligation Agreement, the Issuer is not required to, provide prior notice to or obtain the consent of any Debtholder or any other Specified Creditor to issue any Issuer Funding Obligations.

Other Obligations Secured

The Issuer may incur other obligations (including Derivative Funding Obligations) so long as:

(a) the Issuer delivers to the Indenture Trustee a copy of the agreement giving rise to such obligations;

(b) the Issuer delivers to the Indenture Trustee an updated list of the Specified Creditors;

(c) the counterparty to the agreement giving rise to such obligations makes the acknowledgements and agreements described below under "*— Acknowledgements of Specified Creditors*";

(d) if the obligations are Certified Primary Obligations, the Indenture Trustee receives either:

(i) a certified copy of the instrument whereby the Province of Ontario designated in writing that such obligation is an Approved Obligation as contemplated by the Change of Law Protection Agreement; or

(ii) both (A) an Adherence Compliance Certificate addressed to the Indenture Trustee with respect to such obligation delivered in accordance with the Change of Law Protection Agreement; and (B) a certificate signed by the Manager certifying that the Province of Ontario has not provided a Suspension Notice;

provided that, in respect of derivative agreements, the Issuer will provide notice to each Rating Agency of the identity of the Derivative Counterparty and the terms of any applicable master agreement and schedule.

Derivative Agreements

The Issuer may, from time to time, enter into one or more derivative agreements, which would consist of a currency swap or interest rate swap, a cap (obligating a Derivative Counterparty to make payments if a reference rate is greater than a specified rate), a floor (obligating a Derivative Counterparty to make payments if a reference rate is less than a specified rate), or a collar (obligating a Derivative Counterparty to make payments if a reference rate is greater than a specified rate and entitling the Derivative Counterparty to receive payments if the same reference rate is less than a lower specified rate), with various counterparties. In general, the Issuer will receive payments from the Derivative Counterparty in exchange for the Issuer's payments to them, to the extent required under the derivative agreements. Payments received by the Issuer will constitute Available Collections.

Acknowledgements of Specified Creditors

Each Specified Creditor must acknowledge and agree in favour of the Indenture Trustee that it is a Specified Creditor under the Master Trust Indenture and that its entitlements as a Specified Creditor are subject to the provisions applicable to Specified Creditors under the Master Trust Indenture including, without limitation, those described under "*— Indenture Trustee*", "*— Payment Waterfalls Prior to Acceleration*", "*— Debtholder Approvals and Meetings — Access to Debtholder Lists*", "*— Acceleration and Remedies — Payment Waterfall Upon Acceleration*", "*— Acceleration and Remedies — Rights of Specified Creditors*", "*— Acceleration and Remedies — Limited Recourse*" and "*— Acceleration and Remedies — No Petition*".

Subordination Provisions

Under the Master Trust Indenture, the Issuer can issue the following classes of Issuer Funding Obligations: "Senior Funding Obligations", "Subordinated Funding Obligations" or "Junior Subordinated Funding Obligations" (each, a "**Class**"). The payment of interest on Subordinated Funding Obligations shall be subordinate and rank junior to the payment of interest on Senior Funding Obligations and Derivative Funding Obligations. The payment of interest on Junior Subordinated Funding Obligations shall be subordinate and rank junior to the payment of interest on Senior Funding Obligations, Derivative Funding Obligations and Subordinated Funding Obligations. The payment of principal on Subordinated Funding Obligations shall be subordinate and rank junior to the payment of principal on Senior Funding Obligations and Derivative Funding Obligations. The payment of principal on Junior Subordinated Funding Obligations shall be subordinate and rank junior to the payment of principal on Senior Funding Obligations, Derivative Funding Obligations and Subordinated Funding Obligations. In each case, the subordinations are the to the extent and in the manner set forth in the Master Trust Indenture and described under "*— Payment Waterfalls Prior to Acceleration*" and "*— Acceleration and Remedies — Payment Waterfall Upon Acceleration*".

Subject to the applicable payment waterfall, (i) all Senior Funding Obligations will in all respects be equally and ratably entitled to the benefits of the Master Trust Indenture with respect to such Series or Tranche without

preference, priority or distinction on account, (ii) all Subordinated Funding Obligations will in all respects be equally and ratably entitled to the benefits of the Master Trust Indenture with respect to such Series or Tranche without preference, priority or distinction and (iii) all Junior Subordinated Funding Obligations of each Series or Tranche will in all respects be equally and ratably entitled to the benefits of the Master Trust Indenture with respect to such Series or Tranche without preference, priority or distinction, in each case, except as set out in a related Funding Obligation Agreement.

Security

To secure the payment of all Obligations Secured, including principal of and interest on the Issuer Funding Obligations, the Issuer has granted to the Indenture Trustee a security interest in all of its right, title and interest (whether now owned or hereafter acquired or arising) in and to the following property: (i) the Investment Interest acquired by the Issuer; (ii) each Issuer Account (including all sub-accounts); (iii) all Eligible Investments and all investment property, money and other property held in any Issuer Accounts (including all sub-accounts); (iv) all rights, benefits and powers of the Issuer under any Program Agreement; (v) all rights, benefits and powers of the Issuer under the FHPA; (vi) all present and future claims, demands, causes of and choses in action in respect of any of the foregoing and all interest, principal, payments and distributions of any nature or type on any of the foregoing; (vii) all accounts, general intangibles, chattel paper, instruments, documents, goods, money, investment property, deposit accounts, letters of credit and letter-of-credit rights consisting of, arising from, or relating to any of the foregoing; (viii) all debts, accounts, claims, monies and choses in action due or to become due with respect to all of the foregoing and also all securities, bills, notes, evidences of deposits of money, and other documents now held or owned or which may be hereafter taken, held or owned by the Issuer, or anyone on behalf of the Issuer, and all renewals thereof, accretions thereto, substitutions therefor and all interest, income and revenue arising therefrom or by virtue thereof; (ix) all amounts received with respect to all of the foregoing; and (x) all proceeds of the foregoing (collectively, the "**Collateral**").

Issuer Accounts

Pursuant to the Master Trust Indenture, the Issuer will establish various accounts ("**Issuer Accounts**") – Program Accounts, Series Accounts and Securities Accounts. Each Issuer Account will be under the sole dominion and exclusive control of the Indenture Trustee. Each Program Account and each Series Account will be established as a segregated trust account with an Eligible Institution (an "**Eligible Deposit Account**"). If the institution holding any Program Account or Series Account ceases to be an Eligible Institution, the Issuer will establish a new Program Account or Series Account that is an Eligible Deposit Account and transfer any funds or other property from such existing Program Account or Series Account to such new Program Account or Series Account. Each Securities Account will be established as a segregated securities trust account with an affiliate of an Eligible Institution, which affiliate is licensed to maintain securities accounts (an "**Eligible Securities Account**"). If the institution holding any Securities Account ceases to be an affiliate of an Eligible Institution, the Issuer will establish a new Securities Account that is an Eligible Securities Account and transfer any funds or other property from such existing Securities Account to such new Securities Account. The Indenture Trustee has no obligation to reconcile any Issuer Account against another Issuer Accounts or against the Program Agreements.

Program Accounts

Collection Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Collection Account**"). The Indenture Trustee will hold the Collection Account for the benefit of the Indenture Trustee and the Specified Creditors. All Available Collections received by the Issuer will be credited to the Collection Account. "**Available Collections**" means: (i) all amounts received by the Servicer in respect of the Clean Energy Adjustment from Specified Consumers, (ii) IESO Carrying Cost payments (other than the IESO Cash Reserve Deposit Amount); and (iii) amounts received by the Issuer pursuant to derivative agreements. See *"Ontario Fair Hydro Plan"* and *"The Transferor and Servicer"*.

Interest Accumulation Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Interest Accumulation Account**"). The Indenture Trustee will hold the Interest Accumulation Account for the benefit of the Indenture Trustee and the Specified Creditors. The Interest Accumulation Account has been established for the purposes of pre-funding, collateralizing, over-collateralizing or establishing reserves for the payment of interest in respect all Issuer Funding Obligations.

Principal Accumulation Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Principal Accumulation Account**"). The Indenture Trustee will hold the Principal Accumulation Account for the benefit of the Indenture Trustee and the Specified Creditors. The Principal Accumulation Account has an been established for the purpose of accumulating funds to be used to make repayments in respect of all Issuer Funding Obligations.

IESO Cash Reserve Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**IESO Cash Reserve Account**"). The Indenture Trustee will hold the IESO Cash Reserve Account for the benefit of the Indenture Trustee and the Specified Creditors. The Issuer will deposit the IESO Cash Reserve Deposit Amount in the IESO Cash Reserve Account on the earlier of (x) April 30, 2021, and (y) the receipt by the Issuer of the IESO Cash Reserve Deposit Amount from the IESO.

Program Cash Reserve Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Program Cash Reserve Account**"). The Indenture Trustee will hold the Program Cash Reserve Account for the benefit of the Indenture Trustee and the Specified Creditors. The Issuer will deposit the Program Cash Reserve Required Amount in the Program Cash Reserve Account during the Reference Period commencing May 1, 2021 pursuant to the application of amounts available therefor under the Collection Account Waterfall.

Refinancing Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Refinancing Account**"). The Indenture Trustee will hold the Refinancing Account for the benefit of the Indenture Trustee and the Specified Creditors. All proceeds arising from Notes and Borrowings related to Refinancings will be credited to the Refinancing Account.

Protection Account

Pursuant to the Master Trust Indenture, before the making of any demand for payment under the Change of Law Protection Agreement, the Issuer will establish an Eligible Deposit Account in the name of the Indenture Trustee (the "**Protection Account**"). The Indenture Trustee will hold the ~~Collection~~Protection Account for the benefit of the Indenture Trustee and the Specified Creditors. ~~All~~On the occurrence of a Protection Event and a written payment demand from the Indenture Trustee to the Province of Ontario, all payments received from the Province of Ontario ~~pursuant to~~under the Change of Law Protection Agreement will be credited to the Protection Account.

Series Accounts

Series Capital Reserve Account

In connection with the creation of a Series of Issuer Funding Obligations, the Issuer may establish an Eligible Deposit Account in the name of the Indenture Trustee (a "**Series Capital Reserve Account**"). The Indenture Trustee will hold each Series Capital Reserve Account for the benefit of the Indenture Trustee and the applicable Debtholders or Derivative Counterparties. A Series Capital Reserve Account may be established for the

sole purpose of allowing the Issuer to accumulate funds to be used to make repayments in respect of a Series of Issuer Funding Obligations. Details of any period of accumulation and the amounts to be accumulated will be specified in the applicable Funding Obligation Agreement.

Series Finance Reserve Account

In connection with the creation of a Series of Issuer Funding Obligations, the Issuer may establish an Eligible Deposit Account in the name of the Indenture Trustee (a "**Series Finance Reserve Account**"). The Series Finance Reserve Account will be under the sole dominion and exclusive control of the Indenture Trustee. The Indenture Trustee will hold each Series Finance Reserve Account for the benefit of the applicable Debtholders or Derivative Counterparties. A Series Finance Reserve Account may be established for the sole purpose of allowing the Issuer to reserve funds to pay finance charges for a Series of Issuer Funding Obligations. Details of any reserve requirements will be specified in the applicable Funding Obligation Agreement.

Securities Accounts

In connection with the establishment of any Program Account (other than the Protection Account) or Series Account, the Issuer may establish an Eligible Securities Account in the name of the Indenture Trustee (a "**Securities Account**"). The Indenture Trustee will hold each Securities Account for the benefit of the applicable Specified Creditors. A Securities Account may be established for the purpose of allowing the Issuer to invest funds held in any Program Account or Series Account in Eligible Investments. Each Securities Account may relate to only one Program Account or Series Account. Funds in each Program Account and Series Account will be invested in Eligible Investments at the direction of the Manager using the associated Securities Account. Additionally, neither the Indenture Trustee nor the Manager will not be responsible for any losses incurred in the investment of any funds in any Eligible Investments and any insufficiency in an Issuer Account resulting from any loss on Eligible Investments.

Credit Enhancement Agreements and Liquidity Agreements

A Series or Tranche of Issuer Funding Obligations may have the benefit of one or more additional forms of credit enhancement—referred to herein as credit enhancement agreements—such as a letter of credit, surety bond or loan facility. In addition, a Series or Tranche of Notes may have the benefit of one or more forms of liquidity agreements—referred to herein as liquidity agreements—such as a liquidity facility. Whether a Series or Tranche of Issuer Funding Obligations has the benefit of a credit enhancement agreement or a liquidity agreement, including how any payments made pursuant to such agreement will be applied, will be set out in the applicable Funding Obligation Agreement and the related Term Sheet (where applicable).

Payment Waterfalls Prior to Acceleration

All amounts received by the Issuer and all amounts to be paid by the Issuer from a Program Account or Series Account will be made in accordance with the payment waterfalls described below. All payments or transfers described in the sections below will be made by the Paying Agent based on payment instructions provided by the Manager. See "*— Covenants of the Issuer — Payment Instructions*".

Collection Account

Subject to the paragraph below, on each Payment Date (after giving effect to the distributions described in the first paragraph under "*— IESO Cash Reserve Account*"), all amounts on deposit in the Collection Account will be distributed in the following order of priority (*pro rata* in proportion to the claims represented by each paragraph below except as otherwise noted) (the "**Collection Account Waterfall**"):

(a) first, to the payment or remittance of taxes for which a governmental authority is given priority over the Specified Creditors under the laws of the applicable jurisdiction;

(b) second, to pay fees, expenses and reimbursement amounts owing to the Issuer Trustee and the Indenture Trustee up to a maximum aggregate amount equal to (i) $150,000, multiplied by (ii) the

number of Series of Senior Funding Obligations outstanding on such Payment Date, divided by (iii) 12;

(c) third, *pari passu* (i) to transfer to the Interest Accumulation Account, the Interest Accrual Amount (Senior) for such Payment Date, and (ii) to pay all Derivative Funding Obligations (other than termination payments);

(d) fourth, to transfer to the Interest Accumulation Account, the Interest Accrual Amount (Subordinated) for such Payment Date;

(e) fifth, to transfer to the Interest Accumulation Account, the Interest Accrual Amount (Junior Subordinated) for such Payment Date;

(f) sixth, to transfer to the Principal Accumulation Account, the Principal Accumulation Amount (Warehouse) for such Payment Date;

(g) seventh, *pari passu* (i) to transfer to the Principal Accumulation Account, the Principal Accumulation Amount (Senior) for such Payment Date, and (ii) to pay termination payments owing to Derivative Counterparties where the Derivative Counterparty is not the defaulting party or the sole affected party;

(h) eighth, to pay all fees and other amounts (other than principal or interest) owing in respect of Senior Funding Obligations;

(i) ninth, to pay fees, expenses and reimbursement amounts owing to the Manager;

(j) tenth, to transfer to the Principal Accumulation Account, the Principal Accumulation Amount (Subordinated) for such Payment Date;

(k) eleventh, to pay all fees and other amounts (other than principal or interest) owing in respect of Subordinated Funding Obligations;

(l) twelfth, to transfer to the Principal Accumulation Account, the Principal Accumulation Amount (Junior Subordinated) for such Payment Date;

(m) thirteenth, to transfer to the Program Cash Reserve Account, the amount, if any, by which the amount on deposit in the Program Cash Reserve Account is less than the Program Cash Reserve Required Amount;

(n) fourteenth, to transfer to any Series Account (other than any Series Account related solely to Subordinated Funding Obligations or Junior Subordinated Funding Obligations), the amount required to replenish such Series Account as required by any related Funding Obligation Agreement;

(o) fifteenth, to transfer to any Series Account related solely to Subordinated Funding Obligations, the amount required to replenish such Series Account as required by any related Funding Obligation Agreement;

(p) sixteenth, to pay all fees and other amounts (other than principal or interest) owing in respect of Junior Subordinated Funding Obligations;

(q) seventeenth, to transfer to any Series Account related solely to Junior Subordinated Funding Obligations, the amount required to replenish such Series Account as required by any related Funding Obligation Agreement;

(r) eighteenth, to pay termination payments owing to Derivative Counterparties where the Derivative Counterparty is the defaulting party or the sole affected party;

(s) nineteenth, to pay the amount required pursuant to the Declaration of Trust to the Issuer Trustee for the account of the beneficiaries of the Issuer;

(t) twentieth, to pay all indemnity amounts owing to the Manager;

(u) twenty-first, *pari passu* (i) to pay fees, expenses, reimbursement and indemnity amounts owing to the Issuer Trustee and the Indenture Trustee not previously paid pursuant to paragraph (b), (ii) to the payment or remittance of taxes not previously paid pursuant to paragraph (a), and (iii) to pay all amounts owing to Specified Creditors not specifically referred to above; in each case, including, for each referenced party, any amounts payable to their respective affiliates under the terms of any relevant indemnity; and

(v) twenty-second, any amounts remaining (i) to be held in the Collection Account for distribution in the above order of priority on the next Payment Date; or (ii) after all Issuer Funding Obligations have been paid in full and discharged, and all other amounts have been paid in full, to pay to the Issuer.

Notwithstanding the foregoing, (i) the transfer of any amounts deposited by the IESO into the Collection Account on account of the IESO Cash Reserve Deposit Amount to the IESO Cash Reserve Account, and (ii) the transfer of any amounts deposited in the Collection Account on account of one-time transaction costs and expenses in connection with the incurrence of Issuer Funding Obligations on or within three business days of the closing date of such transaction, will, in each case, be made without reserving for or paying amounts which are senior in priority to such obligation under the Collection Account Waterfall.

Interest Accumulation Account

On each Interest Payment Date, the Paying Agent will distribute all amounts on deposit in the Interest Accumulation Account in the following order of priority (*pro rata* in proportion to the claims represented by each paragraph below except as otherwise noted):

(a) first, to pay all interest that is due and payable on Senior Funding Obligations on such Interest Payment Date;

(b) second, to pay all interest that is due and payable on Subordinated Funding Obligations on such Interest Payment Date, so long as after making this payment, the amount remaining on deposit in the Interest Accumulation Account at least equals the amount of accrued and unpaid interest on Senior Funding Obligations as of such Interest Payment Date; and

(c) third, to pay all interest that is due and payable on Junior Subordinated Funding Obligations on such Interest Payment Date, so long as after making this payment, the amount remaining in the Interest Accumulation Account at least equals the amount of accrued and unpaid interest on Senior Funding Obligations and Subordinated Funding Obligations as of such Interest Payment Date.

Any amounts remaining after the applications referred to above: (i) to be held in the Interest Accumulation Account for distribution in the above order of priority on the next Interest Payment Date; or (ii) after all Issuer Funding Obligations have been paid in full, to be transferred to the Collection Account.

Principal Accumulation Account

On each Interest Payment Date (after making the applications provided for in the waterfall under "—*Interest Accumulation Account*"), if any interest that is due and payable on Senior Funding Obligations, Subordinated Funding Obligations or Junior Subordinated Funding Obligations has not been paid, an amount equal to such deficiency will be withdrawn from the Principal Accumulation Account and applied to the payment of

interest due and payable on such Interest Payment Date, provided that if the amount to be applied pursuant to this paragraph is insufficient to pay all such interest, the application of such amounts will be made first to Senior Funding Obligations, then to Subordinated Funding Obligations, and finally to Junior Subordinated Funding Obligations, in each case, on a *pro rata* basis.

On each Principal Payment Date (after making the applications provided for in the previous paragraph), the Paying Agent will distribute all amounts on deposit in the Principal Accumulation Account in the following order of priority (*pro rata* in proportion to the claims represented by each paragraph below except as otherwise noted):

(a) first, to pay all principal that is due and payable on Warehouse Obligations on such Principal Payment Date;

(b) second, to pay all principal that is due and payable on Senior Funding Obligations (other than Warehouse Obligations) on such Principal Payment Date;

(c) third, to pay all principal that is due and payable on Subordinated Funding Obligations on such Principal Payment Date, so long as after making this payment, the amount remaining in the Principal Accumulation Account at least equals the Required Principal Accumulation Amount (Senior) as of such Principal Payment Date; and

(d) fourth, to pay all principal that is due and payable on Junior Subordinated Funding Obligations on such Principal Payment Date, so long as after making this payment, the amount remaining in the Principal Accumulation Account at least equals the sum of the Required Principal Accumulation Amount (Senior) and the Required Principal Accumulation Amount (Subordinated) as of such Principal Payment Date.

Any amounts remaining after the applications referred to above: (i) to be held in the Principal Accumulation Account for distribution in the above order of priority on the next Interest Payment Date or Principal Payment Date; or (ii) after all Issuer Funding Obligations have been paid in full, to be transferred to the Collection Account.

IESO Cash Reserve Account

On each Payment Date beginning in November, 2021, an amount equal to the lesser of (i) the amounts to be paid or transferred pursuant to items (a) through (e) of the Collection Account Waterfall, and (ii) the amount, if any, by which the amount on deposit in the IESO Cash Reserve Account exceeds the IESO Cash Reserve Required Amount will be withdrawn from the IESO Cash Reserve Account and applied to the making of such payments or transfers in the order provided for in the Collection Account Waterfall.

On each Payment Date, if the amounts available for distribution from the Collection Account and from the preceding sentence are insufficient to pay or transfer items (a) through (e) of the Collection Account Waterfall, an amount equal to such deficiency will be withdrawn from the IESO Cash Reserve Account and applied to the making of such payments or transfers in the order provided for in the Collection Account Waterfall. Once all funds in the IESO Cash Reserve Account have been paid out, the IESO Cash Reserve Account will be closed.

Program Cash Reserve Account

If, on any Payment Date, the amount on deposit in the Interest Accumulation Account is less than the sum of the Interest Accrual Amount (Senior), the Interest Accrual Amount (Subordinated) and the Interest Accrual Amount (Junior Subordinated), an amount equal to such deficiency will be withdrawn from the Program Cash Reserve Account and deposited in the Interest Accumulation Account.

If, on any Principal Payment Date, the amount available in the Principal Accumulation Account (in accordance with the provisions applicable thereto) is insufficient to pay all principal that is due and payable on Warehouse Obligations, other Senior Funding Obligations, Subordinated Funding Obligations or Junior Subordinated Funding Obligations, as applicable (see "— *Principal Accumulation Account*"), on such Principal Payment Date (after making the applications provided for in the previous paragraph), amounts on deposit in the

Program Cash Reserve Account will be used in the following order of priority (*pro rata* in proportion to the claims represented by each paragraph below except as otherwise noted):

(a) first, to pay the deficiency on principal that is due and payable on Warehouse Obligations on such Principal Payment Date;

(b) second, to pay the deficiency on principal that is due and payable on Senior Funding Obligations (other than Warehouse Obligations) on such Principal Payment Date;

(c) third, to pay the deficiency on principal that is due and payable on Subordinated Funding Obligations on such Principal Payment Date; and

(d) fourth, to pay the deficiency on principal that is due and payable on Junior Subordinated Funding Obligations on such Principal Payment Date.

Any amounts remaining after the applications referred to above: (i) to be held in the Program Cash Reserve Account for distribution in the above order of priority on the next Interest Payment Date or Principal Payment Date; or (ii) after all Issuer Funding Obligations have been paid in full, to be transferred to the Collection Account.

Refinancing Account

On each Principal Payment Date, the Paying Agent will transfer from the Refinancing Account to the Principal Accumulation Account the lesser of (i) the amount on deposit in the Refinancing Account, and (ii) the amount by which the sum of the Principal Accumulation Amounts for all Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations on such Principal Payment Date (without reference to any refinancing notice) exceeds the amount on deposit in the Principal Accumulation Account. After all Issuer Funding Obligations have been paid in full, any amounts remaining in the Refinancing Account will be transferred to the Collection Account.

Protection Account

On each date in respect of which the Province of Ontario makes a payment pursuant to the Change of Law Protection Agreement, the Paying Agent will, prior to making any payments under any other payment waterfall, distribute all amounts in the Protection Account solely to satisfy payments in respect of Approved Obligations as set out in the written payment statement delivered by the Manager to the Province of Ontario under the Change of Law Protection Agreement in the order of priority the applicable Obligation Secured has under the applicable payment waterfall.

On the Province of Ontario paying any amount in respect of an Approved Obligation into the Protection Account, the Province of Ontario will be subrogated and entitled to each applicable Specified Creditor's rights and interests under and in respect of the Approved Obligation to the extent of the amounts paid to the Specified Creditor out of the Protection Account, and shall be entitled to the right to be paid the applicable Subrogation Amount, the benefits of the Collateral, and all proceeds therefrom.

Series Accounts

If, after giving effect to payments made on any Payment Date, the amount in the Collection Account is insufficient to make all required payments to Specified Creditors on such date, amounts on deposit in any Series Account may be withdrawn from such Series Account and allocated to the applicable Specified Creditors in accordance with the related Funding Obligation Agreement.

Covenants of the Issuer

Payment of Principal and Interest

The Issuer will duly and punctually pay the principal of and interest due on the Issuer Funding Obligations in the manner specified in the Master Trust Indenture and any related Funding Obligation Agreement.

Use of Proceeds

The Issuer will use the proceeds of such indebtedness solely for: (i) the acquisition by the Issuer of an Investment Interest; (ii) the redemption, repayment or repurchase of any existing Issuer Funding Obligations; (iii) the funding of Issuer Accounts; and (iv) the payment of transaction fees and expenses in connection with the incurrence of Issuer Funding Obligations.

Legal Existence

The Issuer will do or cause to be done all things necessary to preserve its existence and maintain its status as a Financing Entity.

Separateness Covenants

The Issuer will take all reasonable steps to maintain its identity as a distinct entity with assets and liabilities distinct from those of the Manager and any of its affiliates. Such steps include: (i) conducting all transactions with the Manager strictly on an arm's length basis and in good faith; (ii) allocating all overhead expenses for items shared between the Issuer and the Manager on the basis of actual use to the extent practicable; (iii) conducting its affairs strictly in accordance with the Declaration of Trust; (iv) maintaining its books and records separate from those of the Manager or any affiliate thereof; (v) preparing its financial statements separately from those of the Manager and ensuring that any consolidated financial statements of the Manager that include the Issuer have notes clearly stating that the Issuer is a separate entity; (vi) only maintaining bank accounts or other depository accounts to which the Issuer alone is the account party and from which only the Issuer or its agent has the power to make withdrawals; (vii) paying its operating expenses from its own assets (including, reimbursing the Manager for any such expenses); (viii) maintaining its property in such a manner that it is not costly or difficult to segregate, ascertain or otherwise identify its individual assets from or against those of the Manager or any affiliate thereof; and (ix) not becoming liable to any person for any obligations of the Manager or any affiliate thereof.

Performance of Obligations

The Issuer agrees that it will (i) perform and observe all of its obligations and agreements contained in the Master Trust Indenture, the Declaration of Trust, the Master Transfer and Servicing Agreement, the other Program Agreements and in the instruments and agreements relating to the Collateral; (ii) diligently pursue any and all actions to enforce its rights each instrument or agreement included in the Collateral except as expressly provided in the any Program Agreement; and (iii) enforce the Servicer's material obligations under the Master Transfer and Servicing Agreement and the Manager's material obligations under the Management Agreement.

Funding Obligations

The Issuer will ensure that all indebtedness is incurred pursuant to and in accordance with the provisions of the Master Trust Indenture, as described under "*— Conditions Precedent to Incurrence of Obligations Secured — Issuer Funding Obligations*". The Issuer will not enter into any Funding Obligation Agreement (other than a Funding Obligation Agreement relating to Warehouse Obligations) that the Manager believes, acting reasonably, would likely require the Issuer to pay principal on such Issuer Funding Obligation by means of a Refinancing (other than a Pre-Approved Refinancing).

Financial Statements; Statement as to Compliance

The Issuer will deliver, or cause to be delivered to the Indenture Trustee and the Rating Agencies: (i) within 140 days after the end of each fiscal year, audited financial statements of the Issuer; (ii) within 90 days after the end of each fiscal quarter (other than the last fiscal quarter of each fiscal year), unaudited financial statements of the Issuer; and (iii) on an annual basis on or before March 31 of each year, a written statement concerning compliance with the conditions and covenants contained in the Master Trust Indenture and confirming that no Default or Event of Default has occurred or if a material Default or Event of Default has occurred, specifying the details thereof.

Payment Instructions

The Issuer will deliver to the Indenture Trustee and the Paying Agent (if the Paying Agent is not the Indenture Trustee) on a monthly basis, a payment instruction in respect of the Collection Account, which instruction shall set out the payments to be made on the following Payment Date and setting forth, among other things, (i) the amount of the payment to Debtholders (including a breakdown of principal and interest), (ii) any other transfers and payments to be made on such Payment Date, including amounts paid to the Indenture Trustee, the Issuer Trustee and the Manager, and (iii) the amounts on deposit in the Collection Account after giving effect to the foregoing payments. Similar payment instructions will also be delivered in respect of each other Program Account and Series Account, as and when payments are to be made from those accounts.

Notice of Certain Events; Protection Event

The Issuer will give the Indenture Trustee and each Rating Agency prompt written notice of (i) each Event of Default, (ii) each breach on the part of the Issuer or the Servicer of its respective obligations under the Master Transfer and Servicing Agreement (including any Servicer Default), (iii) each breach on the part of the Manager of its obligations under the Management Agreement, (iv) any default of the Issuer or a Derivative Counterparty under a derivative agreement, and (v) any Protection Event.

No Other Business

The Issuer will not engage in any activity other than the activities set forth in the Declaration of Trust or the other Program Agreements, the material provisions of which are described in this confidential shelf offering memorandum under "The Issuer".

Amendments to Program Agreements

Unless the Rating Agency Condition is satisfied, the Issuer will not make any material amendments to any Program Agreement (other than the Master Trust Indenture and individual trade confirmations under derivative agreements), or enter into any Co-Owner Agreement. Without limiting the foregoing sentence, the Issuer will not:

(a) enter into any Co-Owner Agreement without the consent of Controlling Class Creditors by Ordinary Resolution;

(b) amend, supplement, modify, restate or replace, or waive or consent to a postponement of compliance with the terms and conditions on the part of any other party to, any of the Program Agreements (other than the Master Trust Indenture, the derivative agreements and the Declaration of Trust) if any such amendment, supplement, modification, restatement or replacement, or waiver or consent, could reasonably be considered to be materially prejudicial to the rights or interests of any Specified Creditor(s), except as expressly permitted by such Specified Creditor(s) and subject to the Province of Ontario having been given prior notice;

(c) consent, if consent is required, to the resignation of the Manager under the Management Agreement; or

(d) amend the Declaration of Trust if such amendment would have or reasonably be expected to have an Adverse Effect; provided that if such amendment would have such result, such amendment may

only be made if the Issuer has obtained the consent of the Debtholders affected by such amendment by Ordinary Resolution.

Regarding amendments to the Master Trust Indenture or a Supplemental Indenture, see "— *Amendments to Master Trust Indenture*".

Consolidation; Sale of Assets

The Issuer may not consolidate with or merge into any other person, or sell, convey, exchange, transfer or otherwise dispose of any of its properties or assets included in the Collateral to any person (each, a "**transaction**"), unless:

(a) the entity formed by or surviving the consolidation or merger (if other than the Issuer) or the entity that acquires by conveyance or transfer formed by or surviving the consolidation or merger, by conveyance or transfer, as applicable: (i) is a financing entity; (ii) is organized under the laws of Canada or any province or territory thereof; (iii) is not a non-resident for purposes of the *Income Tax Act* (Canada); (iv) is not subject to regulation as an "investment company" under the Investment Company Act, (v) expressly assumes, pursuant to an assignment and/or assumption agreement or supplement, the due and punctual payment of all Obligations Secured then outstanding and the performance or observance of all of the Issuer's agreements and covenants under each of the Program Agreements to which the Issuer is a party; and (vi) in the case of a conveyance or transfer only, expressly agrees, pursuant to such assignment and/or assumption agreement or supplement, that (A) all right, title and interest conveyed or transferred is subject and subordinate to the security interest of the Indenture Trustee and (B) it will make all filings required by applicable securities laws in connection with any Notes;

(b) no Event of Default has occurred and is continuing immediately after the transaction;

(c) the Issuer has delivered to the Indenture Trustee an officer's certificate and an opinion of counsel of external counsel, each stating that (i) such transaction and the agreements delivered in connection with such transaction comply with the terms and conditions in the Master Trust Indenture, (ii) all conditions precedent in the Master Trust Indenture relating to the transaction have been complied with, and (iii) each agreement delivered in connection with such transaction has been duly authorized, executed and delivered, and are valid, binding and enforceable against the surviving entity or transferee, as applicable;

(d) the Rating Agency Condition has been satisfied with respect to such transaction; and

(e) any action as is necessary to maintain the first priority perfected security interest in the Collateral has been taken.

No Borrowing; Guarantees, Loans; Restricted Payments

The Issuer will not issue, incur, assume, guarantee or otherwise become liable for any indebtedness except for Funding Obligations. Additionally, the Issuer will not, except as contemplated by the Master Trust Indenture or the Declaration of Trust, make any loan or advance or credit to, or guarantee, endorse or otherwise become contingently liable in connection with the obligations of, or own, purchase or acquire any stock, obligations, assets or securities of, or any other interest in, or make any capital contribution to, any other person.

The Issuer is permitted to declare or make payable any amounts to the owner of units in the Issuer as permitted by and in accordance with the Declaration of Trust, and redeem, purchase, retire or otherwise acquire for value any units in the Issuer, provided that the Issuer may only satisfy the distribution declared or made payable, or the redemption or purchase price of such units to the extent that cash or property is available for such purpose, subject to the payment waterfalls provided for in the Master Trust Indenture. If the Issuer is restricted from satisfying the foregoing amounts in cash or property, then the Issuer will satisfy such amounts through the issuance of additional units and/or a promissory note to its unitholders in accordance with the Declaration of Trust.

Subordinated Funding Obligations and Junior Subordinated Funding Obligations

Notwithstanding anything in a Funding Obligation Agreement to the contrary, the Issuer may not redeem any Series or Tranche of Subordinated Funding Obligations or Junior Subordinated Funding Obligations unless the following conditions are satisfied: (i) no Default or Event of Default has occurred and is continuing; (ii) all Issuer Accounts are fully funded in accordance with the Master Trust Indenture and any applicable Funding Obligation Agreement; and (iii) the aggregate outstanding principal amount of Subordinated Funding Obligations and Junior Subordinated Funding Obligations after giving effect to such redemption will not be less than 35% of the aggregate outstanding principal amount of Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations.

The Issuer will not permit (i) the aggregate outstanding principal amount of Subordinated Funding Obligations and Junior Subordinated Funding Obligations to be less than 35% of the aggregate outstanding principal amount of Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations, or (ii) the aggregate outstanding principal amount of Junior Subordinated Funding Obligations to be less than 10% of the aggregate outstanding principal amount of Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations.

Security Matters

The Issuer will not (i) permit any lien, charge, excise, claim, security interest, mortgage or other encumbrance (other than permitted liens) to be created on or extend to the Collateral, (ii) release any security or guarantee in respect of the Collateral, (iii) sell, transfer, exchange or otherwise dispose of any of the Collateral except as expressly permitted under the Master Trust Indenture, or (vi) change its name, jurisdiction of formation or type of organization, unless it has provided the Indenture Trustee and each Rating Agency with prior written notice and it has first made all filings and taken all actions necessary to continue and maintain the Indenture Trustee's first priority security interest in the Collateral.

Other Covenants

In addition to the covenants contained in any Supplemental Indenture or any other Funding Obligation Agreement and the other covenants described in this section, the Issuer agrees that:

- upon the written request of the Indenture Trustee, it will use reasonable commercial efforts, following any (i) termination or resignation of the Servicer, the Manager or the Paying Agent, or (ii) termination, non-renewal or expiry of a liquidity agreement or a credit enhancement agreement, to appoint and enter into an agreement with a successor to such Servicer, Manager or Paying Agent, or replace or renew such liquidity agreement or credit enhancement agreement, in form and substance the same as the previously existing Program Agreement;

- it will not claim any credit on or make any deduction from the principal and interest payable on the Notes or Borrowings (other than amounts withheld or deducted in accordance with the Master Trust Indenture); or

- it will not take any action that would cause it to be treated as engaged in a "trade or business within the United States" for U.S. federal income tax purposes.

Amendments to Master Trust Indenture

Amendments not Requiring Consent of Specified Creditors

The Issuer and the Indenture Trustee may amend, supplement or otherwise modify the Master Trust Indenture or any Supplemental Indenture without the consent of any Specified Creditor upon prior notice to each Rating Agency and the Province of Ontario and delivery by the Issuer to the Indenture Trustee of an officer's certificate to the effect that the Issuer reasonably believes that such amendment will not and is not reasonably

expected to have an Adverse Effect. Such amendments to the Master Trust Indenture or any Supplemental Indenture may:

- evidence the succession or successive successions of another Financing Entity to the Issuer, and the assumption by such successor of the covenants of the Issuer in the Master Trust Indenture and the Notes;
- add to the covenants of the Issuer, or have the Issuer surrender any of its rights or powers under the Master Trust Indenture (or any Supplemental Indenture), for the benefit of the Debtholders of any or all Classes, Series or Tranches of Issuer Funding Obligations;
- cure any ambiguity, correct or supplement any provision in the Master Trust Indenture which may be inconsistent with any other provision in the Master Trust Indenture (or any Supplemental Indenture), to correct a clear clerical or administrative error, or make any other provisions for matters or questions arising under the Master Trust Indenture;
- provide for the issuance of any Series or Tranche of Notes and to set forth the terms thereof, and/or to add to the rights of the Noteholders of any Class, Series or Tranche;
- provide for the acceptance of a successor Indenture Trustee under the Master Trust Indenture;
- add any Events of Default relating to any or all Classes, Series or Tranches of Issuer Funding Obligations;
- provide for the consolidation of any financing entity and the Issuer into a single entity or the transfer of assets in any financing entity to the Issuer;
- if the IESO is replaced under the Master Transfer and Servicing Agreement, make any necessary changes to the Master Trust Indenture;
- provide for additional forms of credit enhancement for any Class, Series or Tranche of Issuer Funding Obligations;
- facilitate the issuance of foreign currency Issuer Funding Obligations;
- comply with any regulatory, accounting or tax laws, or changes to any ratings criteria;
- enable the Issuer to file a registration statement for the offering of securities registered under the Securities Act and to comply with Regulation AB thereunder; or
- qualify for sale treatment under generally accepted accounting principles.

The Master Trust Indenture or any Supplemental Indenture may also be amended by the Issuer and the Indenture Trustee without the consent of any Specified Creditor (but with prior notice to each Rating Agency and the Province of Ontario) in the following circumstances, provided that the Issuer delivers to the Indenture Trustee an officer's certificate to the effect that (i) the Issuer reasonably believes that such amendment will not and is not reasonably expected to have an Adverse Effect, and (ii) such amendment is required to comply with law, or to conform or be consistent with the statements contained in this confidential shelf offering memorandum:

- to facilitate compliance with changes in laws or regulations applicable to the Issuer or the transactions governed by the Program Agreements; or
- to cause the provisions of the Master Trust Indenture to conform to or be consistent with or in furtherance of the statements made in this confidential shelf offering memorandum with respect to the Master Trust Indenture or any Supplemental Indenture.

Additionally, the Master Trust Indenture or any Supplemental Indenture may also be amended by the Issuer and the Indenture Trustee without the consent of any Specified Creditor (but with prior notice to each Rating Agency and the Province of Ontario) in the following circumstances, provided that (i) the Issuer delivers to the Indenture Trustee an officer's certificate to the effect that the Issuer reasonably believes that such amendment will not and is not reasonably expected to have an Adverse Effect and (ii) the Rating Agency Condition is satisfied with respect to such amendment:

- to add provisions to, or change in any manner or eliminate any of the provisions of, the Master Trust Indenture or any Supplemental Indenture;
- to modify in any manner the rights of the Specified Creditors under the Master Trust Indenture or any Supplemental Indenture; or
- to provide for those changes necessary for compliance with securities law requirements or banking laws or regulations.

The Indenture Trustee may, but is not obligated to, enter into any amendment which adversely affects its rights, duties, benefits, protections, privileges or immunities under the Master Trust Indenture (or any Supplemental Indenture).

Amendments Requiring Consent of Debtholders

The Issuer and the Indenture Trustee may amend, supplement or otherwise modify and amend the Master Trust Indenture or any Supplemental Indenture for reasons other than those stated in the prior section ("*— Amendments not Requiring Consent of Specified Creditors*"), with prior notice to each Rating Agency and the Province of Ontario, the consent of Debtholders of each Class, Series or Tranche of Issuer Funding Obligations affected by that amendment, supplement or other modification by Ordinary Resolution, and satisfaction of the Rating Agency Condition. However, if the amendment, supplement or other modification would result in any of the following events occurring, it may be made only with the consent of each Debtholder of Issuer Funding Obligations affected thereby and satisfaction of the Rating Agency Condition:

- a change in an Interest Payment Date, Principal Payment Date or Principal Payment Default Date for any Issuer Funding Obligation;
- a reduction in the principal amount of, or interest rate on, any Note, or a change in the method of computing the outstanding principal amount in a manner that is adverse to any Debtholder;
- a reduction in the amount of a discount note payable upon its acceleration;
- a reduction in the percentage in outstanding principal amount of Issuer Funding Obligations of any Class, Series or Tranche, the consent of whose holders is required for modification or amendment of the Master Trust Indenture, any Supplemental Indenture or any related agreement or for waiver of compliance with provisions of the Master Trust Indenture or for waiver of defaults and their consequences provided for in the Master Trust Indenture;
- a modification of any of the provisions governing the amendment of the Master Trust Indenture or any Supplemental Indenture, or waivers of past defaults, except to increase any percentage of Debtholders required to consent to any such amendment or waiver, or to provide that certain other provisions of the Master Trust Indenture cannot be modified or waived without the consent of each Debtholder affected by such modification;
- a change in the city or political subdivision so designated with respect to any Class, Series or Tranche of Notes where any principal of, or interest on, any Note is payable; or
- a change in the method of computing the amount of principal of, or interest on, any Note on any date.

Debtholder Approvals and Meetings

Access to Debtholder Lists

The Indenture Trustee will preserve the names and addresses of all Specified Creditors received by it in its capacity as Note registrar and those which it has received from the Issuer in accordance with the Master Trust Indenture. Three or more Debtholders of any Series or Tranche, each of whom has owned an Issuer Funding Obligation of such Series or Tranche for at least six months, may, by application to the Indenture Trustee in the prescribed form, obtain access to the current list of Debtholders held by the Indenture Trustee for purposes of communicating with other Debtholders concerning their rights under the Master Trust Indenture (or any Supplemental Indenture) or under the applicable Program Agreement.

Debtholder Meetings

The Master Trust Indenture sets out the mechanics for meetings of Debtholders. The Master Trust Indenture provides for meetings of Debtholders of any Class, Series or Tranche of Issuer Funding Obligations, of all Issuer Funding Obligations, of Controlling Class Obligations of a Series or of all Controlling Class Obligations (each of such groups of Debtholders being a "**Debtholder Group**"). The Indenture Trustee will call a meeting of a Debtholder Group upon request of the Issuer or Debtholders of at least 25% in aggregate outstanding principal amount of the applicable Issuer Funding Obligations. If the Indenture Trustee fails to convene, or cause to be convened, such a meeting after 30 days, the Issuer or those Debtholders may convene the meeting. The Indenture Trustee may call a meeting of a Debtholder Group at any time for any purpose. The quorum for any meeting is one or more persons holding (personally or as proxies) not less than 25% of the outstanding principal amount of the Issuer Funding Obligations of the Debtholder Group entitled to vote at such meeting. Each Debtholder who is present, whether in person or by proxy, will have one vote for every $1,000 of outstanding principal amount of applicable Issuer Funding Obligations of which he or she shall be the holder.

Every question submitted to a meeting, except those matters requiring an Extraordinary Resolution, shall be decided by a majority of the votes (an "**Ordinary Resolution**"). Any matter requiring an Extraordinary Resolution shall be decided by the affirmative vote of Controlling Class Creditors holding not less than 66⅔% of the outstanding principal amount of all Controlling Class Obligations (an "**Extraordinary Resolution**"). Such matters include:

- after the security has become enforceable, authorizing the Indenture Trustee to accept, in satisfaction or partial satisfaction, all or any part of the Collateral;
- after the security has become enforceable, sanctioning the selling of the Collateral or any part thereof or interest therein;
- after the security has become enforceable, authorizing the Indenture Trustee or any other person to bid or tender at any sale of the Collateral or any part thereof and take such actions in connection with such sale as it determines to be in the best interests of all Controlling Class Creditors;
- consenting to any compromise or arrangement by the Issuer with any creditor, creditors or class or classes of creditors or with the holders of any securities of the Issuer whose claims are payable from the Collateral;
- restraining any Debtholder from taking or instituting any suit, action or proceeding for the purpose of realizing on the Collateral or for the execution of any trust or power hereunder or for the appointment of a liquidator, receiver or trustee in bankruptcy or to have the Issuer liquidated or for any other remedy hereunder and to direct such Debtholder to waive any Event of Default on which any suit or proceeding is founded;
- requiring the Indenture Trustee (subject to receipt by the Indenture Trustee of reasonable funding and indemnity) to exercise or refrain from exercising any other powers conferred upon it by the Master Trust Indenture of general application to all Classes of Issuer Funding Obligations, including the

exercise of any rights of the Issuer under any of the Program Agreements upon the occurrence and during the continuance of an Event of Default, or cancel any declaration of acceleration made pursuant to the Master Trust Indenture upon such terms and/or conditions as may be decided;

- authorizing the Indenture Trustee, for and on behalf of all Debtholders, to file and prove a claim or debt against the Issuer or its property for an amount equivalent to the aggregate amount which may be payable in respect of all Issuer Funding Obligations, to value the Collateral, and to vote such claim or debt at meetings of creditors and generally act for and on behalf of all Debtholders in such proceedings as such Extraordinary Resolution may provide; and

- appointing a committee to exercise, on behalf of all Controlling Class Creditors, any powers of such Controlling Class Creditors as are exercisable by Extraordinary Resolution or other resolution (as specified in the Extraordinary Resolution appointing such committee).

Any resolution or instrument signed by the requisite number of Debtholders or Controlling Class Creditors, as applicable, shall have the same force and effect as a resolution duly passed at a meeting of such Debtholders or Controlling Class Creditors.

Any action or vote taken at a meeting (including by way of written instrument) of Debtholders of a Debtholder Group duly held in accordance with the Master Trust Indenture will be binding on all Debtholders of that Debtholder Group. An Extraordinary Resolution shall bind all Debtholders and all other Specified Creditors.

In determining whether Noteholders of the requisite principal amount have taken any action under the Master Trust Indenture, (i) Senior Notes owned by the Issuer, the Manager or any affiliate of either of them, and (ii) any Class of Notes (or portion thereof) in which the Province of Ontario has an interest will, in each case, be disregarded and deemed not to be outstanding at any time that a Specified Creditor other than the Province of Ontario has an interest in such Class of Notes. In determining whether the Indenture Trustee will be protected in relying upon any such action, only Senior Notes (or, in the case of the Province of Ontario, any Notes) which a responsible officer of the Indenture Trustee knows to be owned by the Issuer, OPG or any affiliate of either of them, or with respect to which the Province of Ontario has an interest pursuant to the Change of Law Protection Agreement, will be so disregarded.

Whenever an action may be taken by Debtholders of a specified percentage of outstanding principal amount of Issuer Funding Obligations and at such time there are outstanding Issuer Funding Obligations of any relevant Series denominated in a foreign currency, then the principal amount of the Issuer Funding Obligations of such Series which will be deemed to be outstanding for purposes of taking such action will be the amount of Canadian dollars which could be obtained for such principal amount at the market exchange rate on the applicable date.

Events of Default

General

Each of the following events is an "**Event of Default**":

(a) the Issuer's failure, for a period of 5 days, to pay interest on any Controlling Class Obligations when such interest becomes due and payable;

(b) the Issuer's failure to pay the principal of any Controlling Class Obligations at the Principal Payment Default Date;

(c) any representation or warranty in the Master Trust Indenture proves to be incorrect in any material respect when made and if capable of remedy, such incorrect representation or warranty is not remedied for a period of 60 days after the Indenture Trustee or Controlling Class Creditors holding at least 25% of the outstanding principal amount of all Controlling Class Obligations have provided written notice to the Issuer requesting remedy of that default and stating that as a result of

such default, the interests of such Controlling Class Creditors are materially and adversely affected and continue to be materially and adversely affected during the 60-day period;

(d) the Issuer's default in the performance, or breach, of any other of its covenants or warranties in the Master Trust Indenture, for a period of 60 days after the Indenture Trustee or Controlling Class Creditors holding at least 25% of the outstanding principal amount of all Controlling Class Obligations have provided written notice to the Issuer requesting remedy of that default and stating that as a result of such default, the interests of such Controlling Class Creditors are materially and adversely affected and continue to be materially and adversely affected during the 60-day period;

(e) certain events of bankruptcy or insolvency of the Issuer, or the Issuer fails to maintain its existence or status as a Financing Entity;

(f) the Change of Law Protection Agreement ceases to be in full force and effect against the Province of Ontario, or the validity thereof, or the applicability thereof to the Province of Ontario or any Controlling Class Obligations is disaffirmed by the Province of Ontario;

(g) an Acceleration Event has occurred and Controlling Class Creditors holding at least 25% of the outstanding principal amount of all Controlling Class Obligations have provided written notice to the Issuer and the Indenture Trustee specifying the default;

(h) the Issuer's default in the performance of its covenant to deliver payment instructions for a period of three days after the Indenture Trustee has provided written notice thereof;

(i) at any time, the amounts withdrawn from the Program Cash Reserve Account prior to such time exceed the aggregate of (x) 0.50% of the largest outstanding principal amount of all Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations on or prior to such time, (y) the sum of all amounts deposited to the Program Cash Reserve Account, and (z) all interest and earnings (net of losses and investment expenses), if any, on funds credited to the Program Cash Reserve Account; or

(j) a Servicer Default occurs.

If Controlling Class Obligations constituting 25% or more of the outstanding principal amount of all Controlling Class Obligations have been accelerated in accordance with their Funding Obligation Agreements, the thresholds required in clauses (c), (d) or (g) will be deemed to have been met.

Waiver of Default

Subject to the summary provided for below under "*— Acceleration and Remedies — General*", Controlling Class Creditors may, by Ordinary Resolution, waive any past Default under the Master Trust Indenture so long as the Rating Agency Condition in respect of each Series or Tranche of Controlling Class Obligations has been satisfied.

Acceleration and Remedies

General

If an Event of Default (other than an Event of Default described in paragraph (e) or (f)) occurs and is continuing, either the Indenture Trustee or Controlling Class Creditors holding not less than 50% of the outstanding principal amount of all Controlling Class Obligations (treated as one class) may declare the outstanding principal amount of all Issuer Funding Obligations (other than Derivative Funding Obligations) to be immediately due and payable. If Controlling Class Obligations constituting 50% or more of the outstanding principal amount of all Controlling Class Obligations have been accelerated in accordance with their Funding Obligation Agreements, the 50% threshold required will be deemed to have been met. The occurrence of an Event of Default described in paragraph (e) or (f) results in an automatic acceleration of all Issuer Funding Obligations (other than Derivative Funding Obligations).

A declaration of acceleration or an automatic acceleration may be rescinded by Extraordinary Resolution if (i) the Issuer has paid all overdue interest, principal that has become due (other by reason of acceleration) on Controlling Class Obligations and other amounts set out in the Master Trust Indenture, and (ii) all Events of Default (other than non-payment of principal) have been cured or waived.

If Controlling Class Obligations are accelerated, the Indenture Trustee may amongst other things, (i) apply to a court for an order of sequestration and payment of amounts in respect of the Clean Energy Adjustment in accordance with the FHPA, (ii) take possession of the Collateral, (iii) appoint a receiver with respect to the Collateral, (iv) initiate proceedings in any court for the appointment of a receiver or for sale or foreclosure, (v) exercise rights, remedies, powers, privileges and claims under any Program Agreement, including the right to terminate and replace the Manager or the Servicer, or (vi) take any other action, suit, remedy or proceeding authorized or permitted by the Master Trust Indenture or by applicable law. The Indenture Trustee is not obligated to exercise any of its rights or powers under the Master Trust Indenture at the request or direction of any Controlling Class Creditors unless Controlling Class Creditors offer the Indenture Trustee a reasonable indemnity.

See *"Risk Factors — Risks Associated with the Unusual Nature of the Investment Asset" and "Risk Factors — Insolvency-Related Risks Relating to the Issuer"*.

Payment Waterfall Upon Acceleration

After acceleration of the Issuer Funding Obligations (other than derivative agreements), any money or other property standing to the credit of an Issuer Account (except as set out below) or otherwise collected by the Indenture Trustee will be applied in the following priority:

(a) first, to the payment or remittance of taxes for which a governmental authority is given priority over the Specified Creditors under the laws of the applicable jurisdiction;

(b) second, to pay fees, expenses and reimbursement amounts owing to the Issuer Trustee and the Indenture Trustee;

(c) third, *pari passu* (i) to pay interest, fees and other amounts (other than principal) owing in respect of Senior Funding Obligations and (ii) to pay all Derivative Funding Obligations (other than termination payments);

(d) fourth, to pay interest, fees and other amounts (other than principal) owing in respect of Subordinated Funding Obligations;

(e) fifth, to pay interest, fees and other amounts (other than principal) owing in respect of Junior Subordinated Funding Obligations;

(f) sixth, to pay principal owing in respect of Warehouse Obligations;

(g) seventh, *pari passu* (A) to pay principal owing in respect of Senior Funding Obligations (other than Warehouse Obligations) and (B) to pay termination payments owing to Derivative Counterparties where the Derivative Counterparty is not the defaulting party or the sole affected party;

(h) eighth, to pay fees, expenses and reimbursement amounts owing to the Manager;

(i) ninth, to pay principal owing in respect of Subordinated Funding Obligations;

(j) tenth, to pay principal owing in respect of Junior Subordinated Funding Obligations;

(k) eleventh, to pay termination payments owing to Derivative Counterparties where the Derivative Counterparty is the defaulting party or the sole affected party;

(l) twelfth, to pay all indemnity amounts owing to the Manager;

(m) thirteenth, *pari passu* (i) to the payment or remittance of taxes not previously paid pursuant to paragraph (a), and (ii) to pay all amounts owing to Specified Creditors not specifically referred to above; in each case, including, for each referenced party, any amounts payable to their respective affiliates under the terms of any relevant indemnity; and

(n) fourteenth, to pay any remaining amounts to the Issuer.

However, amounts on deposit in a Series Account will first be used to satisfy all obligations owing to the Debtholders or Derivative Counterparties for whom such Series Account was established. Thereafter, such amounts will be applied in accordance with the priorities set out above. In addition, amounts on deposit in the Protection Account will only be used to satisfy the obligations for which those amounts were deposited.

Rights of Specified Creditors

No Specified Creditor will have the right to institute any proceeding, judicial or otherwise, with respect to the Master Trust Indenture, or for the appointment of a receiver or trustee or similar official, or for any other remedy under the Master Trust Indenture. A Controlling Class Creditor may exercise such rights if:

(a) the Issuer or a Controlling Class Creditor has previously given to the Indenture Trustee written notice of a continuing Event of Default;

(b) Controlling Class Creditors, by Ordinary Resolution, have made written request of the Indenture Trustee to institute the proceeding in its own name as Indenture Trustee;

(c) Controlling Class Creditors have offered the Indenture Trustee a satisfactory indemnity; and

(d) the Indenture Trustee has, for 60 days, failed to institute the proceeding.

Subject to certain powers which may only be exercised by Extraordinary Resolution, Controlling Class Creditors, by Ordinary Resolution, will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising any trust or power conferred on the Indenture Trustee with respect to all Issuer Funding Obligations. However, the Indenture Trustee may decline to follow such direction if it determines (based on advice from counsel) that such direction (i) conflicts with applicable law or the Master Trust Indenture, (ii) has a substantial likelihood of involving the Indenture Trustee in personal liability or (iii) is unjustly prejudicial to Controlling Class Creditors not taking part such direction. See "*— Debtholder Approvals and Meetings — Debtholder Meetings*" for a description of certain powers which may only be exercised by Extraordinary Resolution. Specified Creditors (other than Debtholders) do not have any right to direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising any trust or power conferred on the Indenture Trustee. Specified Creditors (other than Debtholders) will only have the right to receive proceeds following an Event of Default.

Limited Recourse

The obligation of the Issuer to pay principal of and interest on the Issuer Funding Obligations or any other amount payable to any Specified Creditor is subject to the allocation and payment provisions in the Master Trust Indenture and the applicable Funding Obligation Agreement and limited to amounts available from the Collateral. Neither the Indenture Trustee, the Manager nor the Issuer Trustee in its individual capacity, nor any holder of any unit in the Issuer, nor any of their respective owners, beneficiaries, agents, officers, directors, employees, successors or assigns will, in the absence of an express agreement to the contrary, be personally liable for the payment of the principal of or interest on the Notes or any other Issuer Funding Obligation, or for the Issuer's covenants and agreements contained in the Master Trust Indenture.

No Petition

Each Specified Creditor, by accepting its rights as a beneficiary under the Master Trust Indenture, agrees that until one year and one day following repayment in full of all Issuer Funding Obligations, it will not commence (or join in commencing) a bankruptcy, insolvency or similar proceeding under the laws of any jurisdiction against the Issuer.

Force Majeure

The Indenture Trustee and the Issuer Trustee will not be responsible or liable for any failure or delay in the performance of their obligations under the Master Trust Indenture arising out of or caused by, directly or indirectly, forces beyond their control, including loss or malfunctions of utilities, communications or computer services.

Satisfaction and Discharge

The Master Trust Indenture will cease to be of further effect with respect to any Class, Series or Tranche of Issuer Funding Obligations when:

(a) (x) in the case of Notes, all Notes of that Class, Series or Tranche which had been outstanding, with certain exceptions set forth in the Master Trust Indenture, have been delivered to the Indenture Trustee for cancellation or been cancelled, or (y) in the case of all other Issuer Funding Obligations, all Issuer Funding Obligations of that Class, Series or Tranche have been paid in full, as certified by the Issuer;

(b) the Issuer has paid all other sums payable by it under the Master Trust Indenture with respect to that Class, Series or Tranche of Issuer Funding Obligations; and

(c) the Issuer has delivered to the Indenture Trustee an officer's certificate and an opinion of external counsel each stating that the conditions precedent in the Master Trust Indenture relating to the satisfaction and discharge with respect to that Class, Series or Tranche of Issuer Funding Obligations have been complied with.

The Master Trust Indenture will cease to be of further effect when all Issuer Funding Obligations have been satisfied and discharged in accordance with the previous paragraph and all other Obligations Secured have been paid in full, as certified by the Issuer.

DESCRIPTION OF NOTES

The following description of the Senior Notes is a summary of certain of their material attributes and characteristics, and does not purport to be complete. The terms and conditions set forth in this "Description of the Senior Notes" section will apply to each Senior Note unless otherwise specified in the Term Sheet applicable to such Offering. For further particulars, reference should be made to the Master Trust Indenture and the Supplemental Indenture and Terms Document, if any, relating to the particular Series or Tranche of Senior Notes.

General

The Senior Notes will be issued under the Master Trust Indenture and will be Funding Obligations issued in connection with the financing program described under the heading "*Capital Markets Platform*". The specific terms and conditions of each Series of Senior Notes will be set forth in the Supplemental Indenture authorizing that Series and the specific terms and conditions of any Tranche of Senior Notes will be set forth in the Supplemental Indenture or the Terms Document authorizing that Tranche.

Under the Master Trust Indenture, the Issuer may issue an unlimited principal amount of Senior Notes. See "*Capital Markets Platform — Conditions Precedent to Incurrence of Obligations Secured — Issuer Funding*

Obligations". The Senior Notes will be direct obligations of the Issuer and secured in the manner provided for under the Master Trust Indenture. See "*Capital Markets Platform — Security*".

The Supplemental Indenture or Terms Document will describe the following terms of the Senior Notes:

- the Series designation;
- stated principal amount of the Senior Notes;
- whether such Senior Notes are of a particular Tranche of Senior Notes;
- the currency or currencies in which such Senior Notes will be denominated and in which payments of principal of, and interest on, such Senior Notes will or may be payable;
- the price at which such Series or Tranche of Senior Notes will be issued;
- the times at which such Series or Tranche of Senior Notes may, pursuant to any optional redemption provisions, be redeemed, and the other terms and provisions of any such redemption;
- the rate per annum at which such Series or Tranche of Senior Notes will bear interest, if any, or the formula or index on which such rate will be determined;
- each Interest Payment Date, each Principal Payment Date and the Principal Payment Default Date for such Series or Tranche of Senior Notes;
- the Principal Accumulation Date(s) and Principal Accumulation Amount(s) for such Series of Senior Notes;
- the initial principal amount of such Senior Notes, and the means for calculating the outstanding principal amount of such Series or Tranche of Senior Notes;
- whether or not application will be made to list such Series or Tranche of Notes on any securities exchange;
- any events of default with respect to such Series or Tranche of Senior Notes;
- if such Series or Tranche of Senior Notes will be issued in whole or in part in the form of a global note, the terms and conditions, if any, upon which such global note may be exchanged for other individual Senior Notes, and the depository for such global note;
- if such Class, Series or Tranche of Senior Notes will be issued in whole or in part in registered form, bearer form or both, and if such Senior Notes will be issued with or without coupons;
- if such Class, Series or Tranche will have the benefit of a credit enhancement agreement or liquidity agreement, and the terms and provisions of the applicable agreement;
- the record date for any Interest Payment Date or Principal Payment Date of such Series or Tranche of Senior Notes, if different from the last of the month before the related Interest Payment Date or Principal Payment Date; and
- whether and under what conditions, additional amounts will be payable to Noteholders of such Series or Tranche of Notes.

Payments of Principal and Interest

Interest will accrue on the principal balance of each Series or Tranche of Senior Note at the interest rate specified in the related Term Sheet and will be payable on the Interest Payment Date(s) specified in the related Term Sheet. Principal of each Series or Tranche of Senior Notes will be payable in the amounts and on the Principal Payment Date(s) specified in the related Term Sheet. The Term Sheet applicable to a Series or Tranche of Senior Notes will also set out the Principal Payment Default Date for such Senior Notes, which is the date on which failure to pay the principal amount of such Senior Notes will result in an Event of Default.

On each Payment Date, the Issuer will, to the extent funds are available therefor from the Collection Account (see "*Capital Markets Platform — Payment Waterfalls Prior to Acceleration — Collection Account*"), transfer to the Interest Accumulation Account the aggregate amount of interest that has accrued on each Series of Senior Notes (together with all other amounts to be accrued for other Issuer Funding Obligations). On each Interest Payment Date for a Series or Tranche of Senior Notes, the Paying Agent will pay to the holders of such Senior Notes interest then due on such Senior Notes using amounts available therefor from the Interest Accumulation Account, the Principal Accumulation Account, the IESO Cash Reserve Account, the Program Cash Reserve Account and the Protection Account. See "*Change of Law Protection Agreement*" and "*Capital Markets Platform — Payment Waterfalls Prior to Acceleration*".

On each Payment Date, the Issuer will, to the extent funds are available therefor from the Collection Account (see "*Capital Markets Platform — Payment Waterfalls Prior to Acceleration — Collection Account*"), transfer to the Principal Accumulation Account the aggregate of the amounts the Issuer is required to accumulate for each Series of Senior Notes (together with all other amounts to be accumulated for other Issuer Funding Obligations). The Term Sheet applicable to a Series or Tranche of Senior Notes will set out the Principal Accumulation Amount(s) and the Principal Accumulation Date(s) for such Senior Notes. On each Principal Payment Date for a Series or Tranche of Senior Notes, the Paying Agent will pay to the holders of such Senior Notes the principal then due on such Senior Notes using amounts available therefor from the Principal Accumulation Account, the Program Cash Reserve Account and the Protection Account. See "*Change of Law Protection Agreement*" and "*Capital Markets Platform — Payment Waterfalls Prior to Acceleration*". Holders of Senior Notes may receive principal payments earlier than a Principal Payment Date if an optional redemption occurs and may receive principal payments later than a Principal Payment Date if there are insufficient Available Collections. See "*Risk Factors*" for a discussion of factors that may affect the timing of principal payments on a Series or Tranche of Senior Notes. It is not an Event of Default if the stated principal amount of a Series or Tranche of Senior Notes is not paid in full on a Principal Payment Date. If the stated principal amount of a Senior Note is not paid in full by its Principal Payment Default Date, an Event of Default will occur. See "*Capital Markets Platform — Events of Default*".

Unless otherwise specified in a Term Sheet, the Issuer has designated the Indenture Trustee as its Paying Agent for all Senior Notes having a place of payment in Toronto, Ontario.

Optional Redemption of Senior Notes

If a Supplemental Indenture for any Series or Tranche of Senior Notes states that such Senior Notes will be redeemable, in whole at any time or in part from time to time, such Senior Notes will be redeemable at the option of the Issuer at the redemption price specified in the Supplemental Indenture. If less than all the Senior Notes of any Series or Tranche are to be redeemed at one time, the Senior Notes of such Series or Tranche to be redeemed will be selected by the Indenture Trustee on a pro rata basis according to the principal amount of such Senior Notes registered in the name of each holder thereof, or in such other manner as the Indenture Trustee may consider equitable.

Notice of any redemption will be delivered to each holder of the Senior Notes to be redeemed, electronically or by mail (postage prepaid) at the address of such holder appearing in the Note register (or published in an authorized newspaper in the case of Senior Notes held in bearer form) or otherwise in accordance with the procedures of the depository, at least 15 days but not more than 30 days before the redemption date, except that redemption notices may be delivered more than 30 days prior to the redemption date if the notice is issued in connection with a satisfaction and discharge of the Master Trust Indenture with respect to such Series or Tranche of Senior Notes. The notice of redemption will state (i) the portion of the principal amount thereof to be redeemed

(provided that no Senior Notes in an aggregate principal amount of 1,000 units of the applicable currency or less will be redeemed in part), (ii) the redemption date and (iii) the redemption price. Unless the Issuer defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Senior Notes or portions of the Senior Notes called for redemption. A replacement note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original note; provided, however, that, in the case of a global note, an appropriate notation may instead be made on such note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof.

The Term Sheet for each Offering will identify the redemption provisions of the applicable Notes at the time of such Offering.

Purchase for Cancellation

The Issuer may purchase or otherwise acquire, at any time or from time to time, all or any of the outstanding Senior Notes of any Series or Tranche in the market or by invitation for tenders or by private contract at such prices as it may determine in its sole discretion. All such Senior Notes purchased by the Issuer will be cancelled. If, upon a tender, more Senior Notes of a Series or Tranche are tendered at the same lowest price than the Issuer is prepared to accept, the Senior Notes of such Series or Tranche to be purchased will be selected by the Indenture Trustee on a pro rata basis according to the principal amount of such Senior Notes registered in the name of each holder thereof, or in such other manner as the Indenture Trustee may consider equitable.

DEPOSITORY SERVICES

Except as otherwise provided below, the Senior Notes will be issued in "book-entry only" form and must be purchased, transferred, redeemed or exchanged through participants ("**Participants**") in the depository service of a depository chosen by the Issuer (the "**depository**") or its nominee, which include securities brokers and dealers, banks and trust companies. On the closing date of an Offering, the Issuer will cause a global certificate representing the Senior Notes to be delivered to, and registered in the name of, the depository or its nominee. Except as described below, no purchaser of Senior Notes will be entitled to a certificate or other instrument from the Issuer or the depository evidencing that purchaser's ownership thereof, and no purchaser will be shown on the records maintained by the depository except through a book-entry account of a Participant acting on behalf of such purchaser. Each purchaser of Senior Notes will typically receive a customer confirmation of purchase from the registered dealer from which the Senior Notes are purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally, customer confirmations are issued promptly after execution of a customer order. The depository will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in the Senior Notes.

Neither the Issuer, the Indenture Trustee nor the Agents will assume any liability for: (i) any aspect of the records relating to the beneficial ownership of the Senior Notes held by the depository or the payments relating thereto; (ii) maintaining, supervising or reviewing any records relating to the Senior Notes; or (iii) any advice or representation made by or with respect to the depository or those contained in this confidential shelf offering memorandum and relating to the rules governing the depository or any action to be taken by the depository or at the direction of its Participants. The rules governing the depository provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to the depository and persons, other than Participants, having an interest in the Senior Notes must look solely to Participants for payments made by or on behalf of the Issuer to the depository in respect of the Senior Notes.

If: (i) required by applicable law; (ii) the depository notifies the Issuer in writing that the depository is no longer willing or able to discharge properly the responsibilities of a depository with respect to the Senior Notes and the Issuer is unable to locate a qualified successor; (iii) the Issuer determines the Senior Notes in book-entry only form should be exchanged for definitive certificates and the Issuer delivers a written notice to such effect to the Indenture Trustee; (iv) an Event of Default has occurred and Noteholders holding more than 50% of the Controlling Class Obligations of any Series of Senior Notes determine such book-entry system is no longer in the best interests of the holders of that Series; or (v) the book-entry system is terminated, then certificates representing the Senior Notes will be issued to the beneficial owners of Senior Notes.

Interest on the Senior Notes will be paid directly to CDS while the book-entry only system is in effect. If definitive certificates are issued, interest will be paid by wire transfer of immediately available funds to the accounts specified by the holders thereof or, if no such account is specified, by mailing a cheque to each such holder's registered address. Payment of principal, and the interest due, at maturity, will be paid directly to CDS while the book-entry only system is in effect. If definitive certificates are issued, payment of principal, and interest due, at maturity, will be paid upon surrender thereof at any office of the Trustee or as otherwise specified in the Indenture.

Manner of Effecting Transfer or Redemption

A transfer or redemption of Senior Notes held in "book-entry form" only will be effected through records maintained by the depository or its nominee with respect to interests of Participants, and on the records of Participants with respect to interests of persons other than Participants. Purchasers of such Senior Notes who are not Participants, but who desire to purchase, sell or otherwise transfer ownership of or other interests in the Senior Notes, may do so only through Participants.

DTC, Euroclear and Clearstream, Luxembourg

Where CDS acts as depository for a series of Senior Notes, to the extent the Issuer makes such series of Senior Notes eligible with The Depositary Trust Company ("**DTC**"), Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"), and the Issuer specifies as such in the Term Sheet with respect to the particular series of Senior Notes, holders may hold such series of Senior Notes through the accounts maintained by DTC, Euroclear or Clearstream, Luxembourg, as applicable, as participants in CDS only if they are participants of those systems, or indirectly through organizations which are participants of those systems.

In such case, DTC, Euroclear and Clearstream, Luxembourg will hold omnibus book-entry positions on behalf of their participants through customers' securities accounts in their respective depositaries which in turn will hold such positions in customers' securities accounts in the names of the nominees of the depositaries on the books of CDS. All securities in DTC, Euroclear and Clearstream, Luxembourg are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts.

Transfers of such Senior Notes by persons holding through Euroclear or Clearstream, Luxembourg participants, as applicable, will be effected through CDS, in accordance with CDS rules, on behalf of the relevant European international clearing system by its depositaries; however, such transactions will require delivery of transfer instructions to the relevant European international clearing system by the participant in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transfer meets its requirements, deliver instructions to its depositaries to take action to effect the transfer of the Senior Notes on its behalf by delivering Senior Notes through CDS and receiving payment in accordance with its normal procedures for next-day funds settlement. Payments with respect to the Senior Notes held through Euroclear or Clearstream, Luxembourg will be credited to the cash accounts of Euroclear participants or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures, to the extent received by its depositaries.

All information in this confidential shelf offering memorandum concerning CDS, DTC, Euroclear and Clearstream, Luxembourg, reflects the Issuer's understanding of the policies of such organizations which may change at any time without notice.

PLAN OF DISTRIBUTION

The Senior Notes may be sold by the Issuer directly pursuant to applicable statutory exemptions or through agents designated by the Issuer from time to time. Each Term Sheet will identify the Agents engaged in connection with the applicable Offering of Senior Notes and will also set forth the terms of the Offering of Senior Notes, including the net proceeds to the Issuer and, to the extent applicable, any fees payable to the Agents. The Agents will conditionally offer the Senior Notes for sale on a "best efforts" basis, if, as and when issued and delivered by the Issuer in accordance with the conditions contained in an agency agreement (the "**Agency Agreement**") between the Issuer, OPG and the Agents to be entered into on or about the date of each Term Sheet. The Agents will be paid a fee

by the Issuer for their services rendered to the Issuer in connection with the offering, issue and sale of the Senior Notes. The obligations of the Agents under the Agency Agreement may be terminated upon the occurrence of certain stated events. The Agents may over-allot or effect transactions which stabilize or maintain the market price of the Senior Notes at a level different than that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Senior Notes may not be offered or sold, directly or indirectly, in Canada or to or for the account of any Canadian resident except, in the case of sales made in any province of Canada, pursuant to an exemption from the prospectus requirements in Section 2.3 of NI 45-106 and, in the case of a purchaser resident in Ontario, section 73.3(2) of the *Securities Act* (Ontario), also known as the "accredited investor" exemption. In addition, Senior Notes will not be offered or sold, directly or indirectly, to individuals unless those individuals are also "permitted clients" within the meaning of NI 31-103.

Resale of the Senior Notes will be subject to restrictions under applicable securities legislation which vary depending on the relevant jurisdictions. **The Senior Notes may only be sold on a basis that is exempt from the prospectus requirements of applicable securities legislation through an appropriately registered dealer or pursuant to an exemption from the registration requirements of applicable securities legislation**. See *"Restrictions on Resale"*.

This confidential shelf offering memorandum does not constitute an offer to sell or a solicitation of an offer to buy any of the Senior Notes in the United States. The Senior Notes have not been and will not be registered under the U.S. Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the U.S. Securities Act) unless the Senior Notes are registered under the U.S. Securities Act and applicable state securities laws or an exemption therefrom is available. In addition, until 40 days after the commencement of an Offering, any offer or sale of the Senior Notes within the United States by any dealer (whether or not participating in an Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements of the U.S. Securities Act. Each Agent has agreed that, except as permitted by an Agency Agreement, it will not offer or sell the Senior Notes as part of the distribution of the Senior Notes at any time within the United States or to, or for the account or benefit of, U.S. persons.

RISK FACTORS

An investment in Senior Notes involves certain risks. Prospective investors in the Senior Notes should carefully consider all the information included in this confidential shelf offering memorandum, including the risks described below, before deciding to invest in the Senior Notes. This section does not describe all risks applicable to the Issuer and is intended only as a summary of certain material risks. In addition, prospective investors should consult their own financial and other legal and tax advisors, and should carefully consider, among other matters, the following discussion of risks before deciding whether to purchase Senior Notes.

Judicial, Legislative or Regulatory Risks

Future legal action might challenge or invalidate the FHPA or the Regulations and materially adversely affect a holder's investment in the Senior Notes.

The Investment Asset is a creation of the FHPA, which became effective on June 1, 2017. The Issuer will be the first Financing Entity under the FHPA to issue Funding Obligations as contemplated under the FHPA. The FHPA, the Regulations or any provisions thereof might be directly contested in courts or otherwise become the subject of litigation. The FHPA is novel legislation in Canada and therefore there are no precedents to rely on to support the validity of the FHPA or the Regulations.

As of the date of this confidential shelf offering memorandum, no such litigation has arisen; however, there can be no assurance that a lawsuit challenging the validity of some portion or all of the FHPA or the Regulations will not be filed in the future or that, if filed, such lawsuit will not be successful. If such a lawsuit ~~were successful, it would likely be a Protection Event and the provisions of the Change of Law Protection Agreement would apply. See *"Change of Law Protection Agreement"*. If such successful lawsuit was not, however, a Protection Event~~was

successful, and an invalidation of any relevant underlying legislative or regulatory provision were to result that did not constitute a Protection Event under the Change of Law Protection Agreement, a holder of Senior Notes may lose some or all of their investment in the Senior Notes or experience significant delays in recovering their investment in the Senior Notes. Even if the successful lawsuit constitutes a Protection Event, under the terms of the Change of Law Protection Agreement, the Province of Ontario is not obligated to pay or indemnify the Indenture Trustee or any Specified Creditor for consequential, special or punitive damages, or for economic loss or loss of profits (provided that economic loss does not include any amount in respect of an amount due and payable to a Specified Creditor under the Limited Guarantee).

Future legislative action to change the FHPA, the Regulations, the Change of Law Protection Agreement or the electricity market might materially adversely affect a holder's investment in the Senior Notes.

The FHPA provides that no act or omission of the ~~Province of Ontario~~Crown shall be effective to reduce, impair, postpone or terminate the obligations of Specified Consumers to pay amounts in respect of the Clean Energy Adjustment or to impair or postpone the invoicing, collection or remittance of the Clean Energy Adjustment. Ontario does not have a referendum or initiative process by which the FHPA may be amended or revoked. Therefore, the only way for such provisions of the FHPA to be amended or revoked would be through a subsequent legislative action by the Province of Ontario. A determination by the Province of Ontario that, for political or other reasons, the FHPA or the Regulations should no longer be law in Ontario or that the FHPA or Regulations should be amended to limit or delay the recovery of Clean Energy Adjustments, could result in a decision to make such an amendment or revocation. Any such action that materially and adversely ~~effects~~affects the ability of the Issuer to receive amounts in respect of the Investment Interest so that it can pay ~~its obligations under the Senior Notes~~Approved Obligations when due and payable (determined after taking into account certain factors described above in the definition of "Protection Event") would be subject to the Change of Law Protection Agreement. Under the Change of Law Protection Agreement, the Province of Ontario is not obligated to pay or indemnify the Indenture Trustee or any Specified Creditor for consequential, special or punitive damages, or for economic loss or loss of profits (provided that economic loss does not include any amount in respect of an amount due and payable to a Specified Creditor under the Limited Guarantee). See *"Change of Law Protection Agreement"*. However, future legislative action by the Province of Ontario could also be taken that would have the effect of voiding or otherwise rendering invalid the Change of Law Protection Agreement.

Canada does not have any constitutional protection of property rights. While an adverse impact of statutory measures on private property has, in some circumstances, been judicially held to entitle property owners to compensation, such entitlements themselves can also be extinguished by legislation. Accordingly, if the provisions of the FHPA or the Regulations referenced in the previous paragraph were amended or revoked through subsequent legislative action of the Province of Ontario and future legislative action was also taken by the Province of Ontario that had the effect of voiding or otherwise rendering invalid the Change of Law Protection Agreement, a holder of Senior Notes may lose some or all of their investment in the Senior Notes or experience significant delays in recovering their investment in the Senior Notes.

Future judicial action could reduce the value of a holder's investment in the Senior Notes.

The Investment Asset is the creation of the FHPA. There is uncertainty associated with investing in Senior Notes payable from an interest in an asset that depends on legislation for its existence because there is no juridical or regulatory experience implementing and interpreting the legislation or similar legislation in Canada. Because the Investment Asset is a creation of the FHPA, any judicial determination interpreting the FHPA or the Investment Asset might have an adverse effect on a holder of Senior Notes' investment in the Senior Notes.

Potential difficulties in enforcing civil liabilities against the Province of Ontario may arise.

Under the *Proceedings Against the Crown Act* (Ontario), the remedies of injunction and specific performance are not available against the Province of Ontario, although the remedy of damages is available. Nothing in the Change of Law Protection Agreement or the Program Agreements affects the rights, protections and immunities of the Crown under the *Proceedings Against the Crown Act* (Ontario). As a result, if the Province of Ontario fails to comply with the Change of Law Protection Agreement, the Indenture Trustee's ability to obtain an effective remedy against the

Province of Ontario is limited and holders of Senior Notes may lose some or all of their investments in the Senior Notes or experience significant delays in recovering their investments.

Risks Associated with the Unusual Nature of the Investment Asset

Clean Energy Adjustments will not be payable until May 1, 2021 and until such time the IESO will be the sole source of funds for payment on the Senior Notes.

During the Moratorium Period, no Clean Energy Adjustments are permitted to be collected from Specified Consumers. During the Moratorium Period, a holder of Senior Notes must rely for payment of interest on the Senior Notes, and the Issuer must rely for payment of all of its other carrying costs, solely upon the IESO who is obligated under the Regulations to pay these carrying costs. The IESO has granted the Issuer a first-priority security interest in all its accounts receivable from Electricity Vendors, which includes the amounts receivable by the IESO from Electricity Vendors with respect to the global adjustment charge, as security for the performance of its regulatory obligation to pay the Issuer's carrying costs. The IESO also has a $2 billion unsecured credit facility agreement with the Ontario Financing Authority, expiring ■, 20■, which can be used to pay the Issuer's carrying costs. ***[NTD: IESO credit facility description to be confirmed.]*** There can be no assurance that the IESO will continue to have sufficient funds available to pay interest on the Senior Notes or to pay the Issuer's other carrying costs during the Moratorium Period. If the Issuer enforces the security granted to the Issuer by the IESO during this period, there can be no assurance that the IESO's accounts receivable from Electricity Vendors will be sufficient to pay interest on the Senior Notes or the Issuer's other carrying costs and a holder of Senior Notes may suffer material payment delay on the Senior Notes during the Moratorium Period.

The Issuer's ability to enforce security granted by the IESO may be significantly impaired or delayed.

Under various Canadian bankruptcy, insolvency and restructuring statutes or Canadian federal or provincial receivership laws, including the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the *Canada Business Corporations Act*, the *Winding-up and Restructuring Act*, and various provincial corporate statutes (collectively, "**Canadian Insolvency and Restructuring Laws**"), the Issuer's ability to enforce security granted by the IESO may be significantly impaired or delayed. In view of the broad discretionary powers of courts under Canadian Insolvency and Restructuring Laws, it is not possible to predict how long payments of carrying costs by the IESO or enforcement of any letter of credit or performance guarantee provided by the IESO could be delayed following commencement of a proceeding under Canadian Insolvency and Restructuring Laws by the IESO or whether or when the Issuer would be able to repossess or dispose of the assets over which it holds a security interest. Canadian Insolvency and Restructuring Laws also contemplate the granting of super priority security interests or charges (which could be in priority to the security of existing secured creditors) on the assets of the debtor company to secure the repayment of any amounts to be borrowed to facilitate the insolvency proceeding, any amounts owing for the fees and costs of professionals involved in the insolvency proceeding, obligations of directors of the company with respect to their statutory liabilities and sometimes other amounts.

Canadian Insolvency and Restructuring Laws also contain provisions enabling an obligor to prepare and file a proposal or a plan of arrangement or reorganization for consideration by all or some of its creditors, to be voted on by the various classes of creditors affected thereby. Such a restructuring proposal or plan of arrangement or reorganization, if accepted by the requisite majority of each class of affected creditors and if approved by the relevant Canadian court, would be binding on all creditors of the applicable obligor within the affected classes, including the Issuer, whether or not the Issuer votes in favour of the restructuring proposal or plan of arrangement or reorganization. Such a proposal or plan of arrangement or reorganization may have the effect of compromising certain rights available to the Issuer with respect to the payment of carrying costs or enforcement of any security provided by the IESO under the Master Transfer and Servicing Agreement.

A holder of Senior Notes may experience material payment delays because the source of funds for payment after the Moratorium Period is limited.

A holder of Senior Notes may suffer material payment delays on the Senior Notes if the collateral securing the Senior Notes is insufficient to pay the accrued interest on and the principal amount of those Senior Notes in full. During the Moratorium Period, a holder of Senior Notes must rely for payment of interest on the Senior Notes, and

the Issuer must rely for payment of all of its other carrying costs, solely upon the IESO who is obligated under the Regulations to pay these carrying costs. After the Moratorium Period, the only source of funds for payments of interest on and principal of the Senior Notes will be the collateral. The collateral for the Senior Notes will include:

- the Investment Interest, including the right to impose, bill, collect and receive Clean Energy Adjustment amounts, inclusive of the True-up Amount;
- the cash and investments on deposit in the accounts held by the Indenture Trustee; and
- the Issuer's rights under various contracts described in this confidential shelf offering memorandum and under the FHPA and the Regulations.

The Senior Notes will not be insured or guaranteed by the Province of Ontario, the IESO, OPG or any of their respective affiliates, the Indenture Trustee or any other person or entity, except pursuant to the Limited Guarantee provided by the Province of Ontario upon the occurrence of a Protection Event and delivery by the Indenture Trustee to the Province of Ontario of a written payment demand. See *"Change of Law Protection Agreement"*. The Senior Notes will be nonrecourse obligations, secured only by the collateral. Delays in payment on the Senior Notes might result in a reduction in the market value of the Senior Notes and, therefore, the value of a holder's investment in the Senior Notes.

The Senior Notes do not constitute a debt, liability or other obligation of, or interest in, OPG or any of its other affiliates (other than the Issuer). The Senior Notes are not a debt, liability or ~~general~~other obligation of the Province of Ontario or any of its political subdivisions, agencies or instrumentalities. ~~However, insofar as the Province of Ontario or any such political subdivision, agency or instrumentality is a Specified Consumer, such governmental entity will be obligated, in its capacity as a Specified Consumer, to pay Clean Energy Adjustment amounts that will be collected and remitted to the Issuer in respect of its Investment Interest securing the Senior Notes.~~

A holder of Senior Notes must rely for payment of principal of and interest on the Senior Notes solely upon the FHPA and the Regulations, rights to enforcement of the FHPA, the Regulations and of various agreements described in this confidential shelf offering memorandum, collections of Clean Energy Adjustment amounts and cash and investments on deposit in the related accounts held pursuant to the Master Trust Indenture.

The Clean Energy Adjustment may not be billed after April 30, 2047, unless further regulations to extend that date are passed.

The Clean Energy Adjustment may not be billed to Specified Consumers after April 30, 2047, unless further regulations to extend that date are passed. If Clean Energy Adjustment amounts billed through this period are not sufficient to repay the Senior Notes in full and further regulations to extend this date are not passed, apart from amounts in the capital accounts, if any, no other funds will be available to pay the unpaid balance due on the Senior Notes.

Foreclosure of the Indenture Trustee's lien on the Investment Interest securing the Senior Notes might not be practical and acceleration of the Senior Notes before maturity might have little practical effect.

Under the Master Trust Indenture, the Indenture Trustee on behalf of the holders of Senior Notes and other creditors has the right to foreclose or otherwise enforce the lien granted to the Indenture Trustee by the Issuer on the collateral securing the Senior Notes. However, in the event of foreclosure, there is likely to be a limited market, if any, for the collateral. Therefore, foreclosure might not be a realistic or practical remedy. Moreover, although principal of the Senior Notes will be due and payable upon acceleration of the Senior Notes before maturity, under the Regulations, the amount of the Clean Energy Adjustment may not be increased to take into account such acceleration (subject to limited exceptions depending on the Fair Allocation Amount at the time). As a result, this limitation on increases to the Clean Energy Adjustment at the time of any acceleration of the Senior Notes prior to maturity will result in principal of the Senior Notes being paid on acceleration as funds become available. However, upon such acceleration, the priority of principal payments to creditors of the Issuer will result in all accelerated Senior Notes being repaid in full before any further payments of principal are made to holders of subordinated indebtedness of the Issuer. In the event of an acceleration, holders of Senior Notes may be paid sooner or later than originally expected.

The Issuer may issue multiple Series of Senior Notes secured by the Investment Interest and some decisions affecting holders of Senior Notes may require the approval of all Series.

The Issuer may issue multiple Series of Senior Notes all of which will be secured by the collateral securing the Senior Notes. The Issuer may not issue additional Series of Senior Notes if the issuance would not satisfy the Rating Agency Condition and certain other conditions precedent in the Master Trust Indenture. See *"Capital Markets Platform — Conditions Precedent to Incurrence of Obligations Secured — Issuer Funding Obligations"*. If additional Series of Senior Notes are issued, Clean Energy Adjustment amounts collected by or for the benefit of the Issuer will be prorated among the Series of Senior Notes based on the respective amounts of interest and principal due and payable or required to be accumulated in respect of each Series of Senior Notes. Any issuance of additional Series of Senior Notes by the Issuer could cause reductions or delays in payment on the Senior Notes. In addition, some matters relating to the Senior Notes issued by the Issuer may require the vote of the holders of all Series of Senior Notes. The interests of holders of a particular Series of Senior Notes in these votes might conflict with the interests of the holders of another Series of Senior Notes. Thus, these votes could result in an outcome that is materially unfavorable to holders of a particular Series of Senior Notes.

The Master Trust Indenture contains Events of Default (other than those pertaining to the insolvency of the Issuer or invalidity of the Change of Law Protection Agreement) that can only be declared by Debtholders who hold at least 25% of the outstanding Controlling Class Obligations. If any such Event of Default has occurred and is continuing, Debtholders who hold at least 50% of the outstanding Controlling Class Obligations may accelerate all Issuer Funding Obligations (other than Derivative Funding Obligations). However, it is possible for individual Series of Senior Notes to have their own acceleration events such that those individual Series of Senior Notes may be accelerated while other Series of Issuer Funding Obligations would not be accelerated. In such a case, (i) the allocation of Available Collections to the holders of accelerated Series of Issuer Funding Obligations in a Class would be higher relative to the non-accelerated Series of Issuer Funding Obligations of that Class than it would otherwise be, and (ii) after payment in full of accelerated Senior Notes and other Senior Funding Obligations and once all amounts due and payable on non-accelerated Senior Notes and other Senior Funding Obligations have been satisfied on any principal payment date, amounts remaining for payment of principal would be allocated to the repayment of principal on both accelerated and non-accelerated subordinated debt, as applicable. In certain cases, a declaration of acceleration or an automatic acceleration may also be rescinded by Extraordinary Resolution if (i) the Issuer has paid all overdue interest, principal that has become due (other than by reason of acceleration) on Controlling Class Obligations and other amounts set out in the Master Trust Indenture, and (ii) all Events of Default (other than non-payment of principal) have been cured or waived. See *"Capital Markets Platform — Acceleration and Remedies — General"*.

If a Series of Senior Notes or all Senior Notes are accelerated, a holder of Senior Notes might receive payment of principal sooner or later than expected.

Under certain circumstances it is possible that all outstanding Senior Notes will be accelerated as a Class or that certain Series of Senior Notes will be accelerated while other Series of Senior Notes will not be accelerated. See *"Capital Markets Platform – Acceleration and Remedies"*. The possibility of certain Series of Senior Notes accelerating while other Series of Senior Notes do not accelerate would arise if (i) an Event of Default occurs but Noteholders holding at least 50% of all outstanding Senior Notes do not approve the acceleration of all outstanding Senior Notes, and (ii) holders of Senior Notes of a particular Series approve the acceleration of the Senior Notes of that Series by the requisite majority of holders of that Series as set out in the applicable supplemental indenture for that Series.

If all Senior Notes are accelerated the application of available funds will be as described under *"Capital Markets Platform -- Acceleration and Remedies"* for all Senior Notes. It is possible that holders of 50% or more of the outstanding principal balance of all Senior Notes will approve the acceleration of all Senior Notes even if holders of a particular Series of Senior Notes do not vote in favour of the acceleration of the Senior Notes of that Series.

If only certain Series of Senior Notes are accelerated, then the outstanding principal balance of those Series of Senior Notes will become immediately due and payable but the payment due dates of those Series of Senior Notes that have not been accelerated will not change. In this case, the application of available funds will continue as described under *"Capital Markets Platform -- Payment Waterfalls Prior to Acceleration"*.

Where all Series of Senior Notes or only certain Series of Senior Notes are accelerated, available funds that would otherwise be used to pay the principal amount of subordinated indebtedness will be applied to repay principal of the accelerated Senior Notes. This could result in a holder of Senior Notes that have been accelerated receiving payment of principal sooner than expected. If a Series of Senior Notes has not been accelerated, the payment of principal on such Senior Notes should not occur earlier than expected as the payment due dates for such Senior Notes will not have been accelerated.

Where all Series of Senior Notes or only certain Series of Senior Notes are accelerated, available funds that would otherwise be used to pay the principal amount of the Senior Notes in accordance with the original repayment schedules of such Senior Notes may be applied to repay principal of the accelerated Senior Notes *pari passu* with the principal due on all outstanding Senior Notes (subject to the payment priority given to Warehouse Funding Obligations). If accelerated Senior Notes were not expected to be repaid before a particular Series of Senior Notes at the time the accelerated Senior Notes were issued, the acceleration of such Senior Notes could result in the holder of a particular Series of Senior Notes receiving payment of principal later than expected.

The Issuer may have a co-ownership interest in the Investment Asset with other Financing Entities.

The FHPA authorizes the establishment of one or more Financing Entities that may incur Funding Obligations for the purpose of acquiring an Investment Interest. The Master Trust Indenture does not contain any restrictions on the establishment of other Financing Entities or any restrictions on the transfer by the IESO of a specified portion of the Regulatory Asset to other Financing Entities. If additional Funding Obligations are incurred by other Financing Entities to acquire an Investment Interest, Clean Energy Adjustment amounts collected by or for the benefit of the Issuer will be prorated among all Investment Interest owners based on the respective amounts of Clean Energy Adjustment amounts invoiced and not yet paid. Any issuance of Funding Obligations by other Financing Entities could cause reductions or delays in payment on the Senior Notes.[37]

If the Clean Energy Adjustment amounts and other funds held in the Issuer Accounts results in investment losses or the investments become illiquid, a holder of Senior Notes might receive payment of principal of and interest on the Senior Notes later than expected.

Funds held in the Issuer Accounts will be invested in Eligible Investments. Eligible Investments include, among other categories, money market funds having a rating in the highest investment category from each applicable Rating

[37] **Note:** Consider explaining under this risk factor that the Investment Asset is a bundle of rights and interests held collectively by all investment interest owners.

Agency. Although investments in these money market funds have traditionally been viewed as highly liquid with a low probability of principal loss, illiquidity and principal losses have been experienced by investors in certain of these funds as a result of disruptions in the financial markets in recent years. If investment losses or illiquidity are experienced, a holder of Senior Notes might experience a delay in payments of principal and interest and a decrease in the value of their investment in the Senior Notes.

Servicing, Operating and Consumer Risks

Payments on the Senior Notes depend on the performance of Electricity Vendors and the IESO.

The Issuer's receipt of Clean Energy Adjustment amounts, which will be used to make payments on the Senior Notes, will depend in part on the skill and diligence of Electricity Vendors and the IESO and their respective successors in performing their respective duties under the FHPA, the Regulations and, with respect to the IESO, the Master Transfer and Servicing Agreement.

The FHPA, the Regulations and the Program Agreements impose new duties and obligations of the IESO and Electricity Vendors. There can be no assurances that the new duties and obligations of the IESO and the Electricity Vendors will be assumed and implemented without difficulty and in accordance with the provisions of the FHPA, the Regulations and the Program Agreements. If the IESO ceases to perform, or inadequately performs, its collection, remittance, forecasting and other functions under the terms of the FHPA, the Regulations and the Master Transfer and Servicing Agreement, it might be difficult to enforce these obligations against the IESO. While the Indenture Trustee has the right to replace the IESO, as servicer, on an Event of Default upon receipt of an Ordinary Resolution, it might be difficult to find a replacement for the IESO or a successor servicer. Also, any successor servicer might have less experience and ability than the IESO and might experience difficulties in collecting Clean Energy Adjustment amounts or forecasting consumption, resulting in delays or disruptions to the setting and collection of the Clean Energy Adjustment. Any successor servicer would likely charge fees for the provision of such services and such fees could be material.

If an Electricity Vendor or the IESO fails to collect or remit sufficient Clean Energy Adjustment amounts for any reason, then the IESO's payments to the Issuer in respect of the Clean Energy Adjustments might be delayed or reduced. In that event, payments on the Senior Notes might be delayed or reduced. In addition, any person into which the IESO may be merged, converted or amalgamated or that may succeed to the properties and assets of the IESO substantially as a whole will assume the role of servicer under the Master Transfer and Servicing Agreement, subject only to the satisfaction of the conditions set forth therein. These conditions do not include either the consent of holders of Senior Notes or satisfaction of the Rating Agency Condition.

Payments on the Senior Notes depend on the performance of OPG as Financial Services Manager and as Manager of the Issuer.

The FHPA, the Regulations and the Program Agreements impose new duties and obligations of OPG, as Financial Services Manager and as Manager of the Issuer. There can be no assurances that the new duties and obligations of OPG will be assumed and implemented without difficulty and in accordance with the provisions of the FHPA, the Regulations and the Program Agreements. If OPG, as Financial Services Manager, ceases to perform, or inadequately performs, its statutory duties under the FHPA and the Regulations, including determining the Clean Energy Adjustment (inclusive of the True-Up Amount), the Indenture Trustee will have no right to replace OPG as Financial Services Manager. If OPG ceases to perform, or inadequately performs, its management duties under the Management Agreement, the Indenture Trustee has the right to replace the Manager on an Event of Default upon receipt of an Ordinary Resolution but it might be difficult to find a replacement for OPG or a successor manager. Also, any successor manager might have less experience and ability than OPG, resulting in delays or disruptions to the setting and collection of the Clean Energy Adjustment. Any successor manager would likely charge fees for the provision of such services and such fees could be materially higher than the fees charged by OPG.

Inaccurate consumption forecasting or unanticipated delinquencies or write-offs might reduce or delay scheduled payments on the Senior Notes.

Clean Energy Adjustment amounts will be calculated in part based upon a forecast of Specified Consumer usage to be newly developed by the IESO[, adjusted for expected billing lags and charge-offs] [including the effect of delinquencies and write-offs] ***[Confirm whether the IESO forecast takes into account items noted in square brackets.]***. Under the ~~FHPA~~Regulations, the IESO is required to provide to the OEB forecast information regarding electricity consumption of Specified Consumers. The amount and the rate of the Clean Energy Adjustment will depend in part on actual electricity usage and the amount of collections and write-offs for Specified Consumers.[38] If the IESO or a successor inaccurately forecasts electricity consumption or if OPG uses inaccurate consumer delinquency or write-off data when setting or adjusting the Clean Energy Adjustment, there could be a shortfall or material delay in collections, which might result in missed or delayed payments of principal and interest on the Senior Notes.

Inaccurate forecasting of electricity consumption by the IESO might result from, among other things unanticipated weather, resulting in less electricity consumption than forecast; general economic conditions being worse than expected, causing Specified Consumers to reduce their electricity consumption; the occurrence of a natural disaster, wind storm or an act of terrorism, cyber-attack or other catastrophic event unexpectedly disrupting electrical service and reducing electricity consumption; unanticipated changes in the market structure of the electric industry; Specified Consumers unexpectedly ceasing business or departing from the Province of Ontario; dramatic and unexpected changes in energy prices resulting in decreased electricity consumption; Specified Consumers consuming less electricity than anticipated because of increased energy prices, unanticipated increases in conservation efforts or unanticipated increases in electricity consumption efficiency; differences or changes in forecasting methodology; or Specified Consumers switching to alternative sources of energy, including self-generation or co-generation of electric power in some cases without using Ontario's transmission or distribution system. Self-generators that receive no transmission or distribution service from the Province of Ontario are not liable for the Clean Energy Adjustment. Neither the FHPA nor the Regulations require exit fees to be charged to any Specified Consumers that might leave the grid to self-generate.

Inaccurate forecasting of delinquencies or write-offs by OPG could result from, among other things unexpected deterioration of the economy, the occurrence of a natural disaster, an act of war or terrorism or other catastrophic events causing greater write-offs than expected or forcing Electricity Vendors to grant additional payment relief to Specified Consumers; the failure of Electricity Vendors to submit accurate and timely information to the IESO regarding their collections and write-offs; an unexpected change in law that makes it more difficult for Electricity Vendors to terminate service to nonpaying Specified Consumers, or that requires Electricity Vendors to apply more lenient credit standards for Specified Consumers.

Changes to billing and collection practices may reduce the amount of funds available for payments on the Senior Notes.

The methodology for determining the amount of the Clean Energy Adjustment invoiced to each Specified Consumer is specified in the FHPA and the Regulations. None of OPG, the IESO or any Electricity Vendor, as it performs its billing and collection functions on the Issuer's behalf, may change this methodology. However, subject to applicable law, tariff and regulatory requirements, billing and collection arrangements with each Specified Consumer may be changed in a manner that delays or reduces the payments to the Issuer in respect of the Clean Energy Adjustment. For example, an Electricity Vendor's conditions of service may permit it to offer equal monthly billing plans to its consumers thereby delaying payments from one month to the next during the year or to enter into arrangements for the payment of arrears. In that event, collection of the Clean Energy Adjustment may be delayed or reduced until an adjustment is made.

Limits on rights to terminate service to Specified Consumers might make it more difficult to collect the Clean Energy Adjustment.

To the extent that Specified Consumers do not pay for their electricity service, Electricity Vendors will not be able to collect the Clean Energy Adjustment from these Specified Consumers. Electricity Vendors have the ability to

[38] **Note:** Please confirm.

terminate service for non-payment subject to the terms of their conditions of service, which conditions must be consistent with the OEB's rules regarding disconnection. Under OEB rules, Electricity Vendors are prohibited from disconnecting or threatening to disconnect homes for non-payment during the winter from November 15 to April 30 every year. Historical rates of non-payment are included in the calculations of the Clean Energy Adjustment, but increases in the rates of non-payment would reduce the Clean Energy Adjustment until it is adjusted through the True-up Amount in a subsequent Reference Period.

It might be difficult for the Issuer to collect the Clean Energy Adjustment from Specified Consumers

Under the FHPA, the Issuer may bring an action against a Specified Consumer for non-payment of the Clean Energy Adjustment, but only an Electricity Vendor may terminate service for failure to pay the Clean Energy Adjustment.[39] The FHPA provides that partial payment of electricity invoices shall be allocated pro rata among the Clean Energy Adjustment and other charges on the invoice. Since the Issuer does not have the threat of termination of service available to enforce payment of the Clean Energy Adjustment, it would need to rely on the Electricity Vendor to threaten to terminate service for nonpayment of other portions of the electricity invoice. This inability might reduce the value of a holder's investment in the Senior Notes.

Indemnification obligations of OPG and the IESO are limited and might not be sufficient to protect the investments in the Senior Notes.

OPG will be obligated under the Management Agreement to indemnify the Issuer and the Indenture Trustee, for itself and on behalf of the holders of Senior Notes and other creditors, only in specified circumstances. Likewise, the IESO will be obligated under the Master Transfer and Servicing Agreement and the Acknowledgement and Indemnity Agreement to indemnify the Issuer and the Indenture Trustee, for itself and on behalf of the holders of Senior Notes and other creditors, only in specified circumstances.

Furthermore, neither OPG nor the IESO may have sufficient funds available to satisfy its indemnification obligations, and the amount of any indemnification paid by OPG or the IESO, as applicable, might not be sufficient for holders of Senior Notes to recover all of their investment in the Senior Notes. In addition, if OPG or the IESO becomes obligated to indemnify holders of Senior Notes, the ratings on the Senior Notes might be downgraded as a result of the circumstances causing the breach and the fact that holders of Senior Notes will be unsecured creditors of OPG or the IESO, as applicable, with respect to any of these indemnification amounts. Neither OPG nor the IESO will indemnify any person for any loss, damages, liability, obligation, claim, action, suit or payment resulting solely from a downgrade in the ratings on the Senior Notes, or for any consequential damages, including any loss of market value of the Senior Notes resulting from a default or a downgrade of the ratings of the Senior Notes.

Delinquent or partial payments of electricity bills may make payments on the Senior Notes occur later than expected.

The amount and the rate of collection of the Clean Energy Adjustment, including the True-up Amount, will impact whether there is a delay in the scheduled payments on the Senior Notes. If the Clean Energy Adjustment amounts are collected at a slower rate than expected, OPG might have to make adjustments to the Clean Energy Adjustment for a subsequent Reference Period through the True-Up Amount. If those adjustments are not timely and accurate, there may be a delay in payments of principal and interest and a decrease in the value of the Senior Notes.

Power outages could impair payment of the Senior Notes.

Ontario experiences seasonal conditions typical of southeastern Canada. Summers are usually hot with high temperatures in excess of 20°C. Winters include snow and icing conditions that can be damaging to overhead power lines. Transmission and/or distribution and generation facilities could be damaged depending on weather conditions and usage of electricity could be interrupted temporarily or for long periods of time, reducing the Clean Energy Adjustment amounts collected in one or more Reference Periods.

[39] **Note:** Please confirm source/ conform to wording in FHPA.

Technological changes that make alternative energy sources more attractive in the future or significant population fluctuations may result in fewer Specified Consumers from whom to collect the Clean Energy Adjustment.

Technological developments and/or tax or other economic incentives might result in the introduction of economically attractive, more fuel-efficient, more environmentally-friendly and/or more cost-effective alternatives to purchasing electricity through Electricity Vendors for increasing numbers of Specified Consumers. Manufacturers of self-generation facilities may develop smaller-scale, more fuel-efficient on-site generating and/or storage units that can be cost-effective options for a greater number of Specified Consumers. Moreover, an increase in self-service power may result if extreme weather conditions result in regular shortages of grid-supplied energy or if other factors cause grid-supplied energy to be less reliable. Specified Consumers who self-generate their electricity may use it to offset, or eliminate, their consumption from the grid thereby reducing, or eliminating, the Clean Energy Adjustment amounts payable by such Specified Consumers. Technological developments might allow greater numbers of Specified Consumers to reduce or even altogether avoid the payment of Clean Energy Adjustment amounts under such provisions through on-site generation, including where coupled with on-site storage capacity. This might reduce the kilowatt-hours of electric energy delivered to Specified Consumers by means of an Electricity Vendor's system, thereby causing Clean Energy Adjustment charges to the remaining Specified Consumers to increase. Such increases may reduce the collectability of the Clean Energy Adjustment.

Unexpected significant population decreases in the Province of Ontario or Specified Consumers unexpectedly ceasing business or departing from the Province of Ontario may adversely affect the amount of the Clean Energy Adjustment to be invoiced, collected and recovered from Specified Consumers. The decrease in the population of the Province of Ontario may result in fewer Specified Consumers from whom to collect the Clean Energy Adjustment. The increased impact on the remaining Specified Consumers could lead to increased potential consumer defaults and delays, billing lags and write-offs or variations in billing due to variations in electricity consumption.

Insolvency-Related Risks

If the Issuer were to become subject to Canadian Insolvency and Restructuring Laws, the Indenture Trustee's ability to enforce security granted by the Issuer may be significantly impaired or delayed.

Trusts such as the Issuer ordinarily cannot seek protection under the principal Canadian Insolvency and Restructuring Laws (other than a receivership). However, in view of the broad discretionary powers of courts under Canadian Insolvency and Restructuring Laws, the courts' inherent jurisdiction and otherwise, it is not possible to state with certainty that the Issuer could not become subject to Canadian Insolvency and Restructuring Laws. If the Issuer were to become subject to Canadian Insolvency and Restructuring Laws, the Indenture Trustee's ability to enforce security granted by the Issuer may be significantly impaired or delayed. It is not possible to predict how long payments under the Senior Notes could be delayed following commencement of a proceeding under Canadian Insolvency and Restructuring Laws by the Issuer or whether or when the Indenture Trustee would be able to enforce upon or dispose of the assets over which it holds a security interest. Canadian Insolvency and Restructuring Laws also contemplate the granting of super priority security interests or charges (which could be in priority to the security of existing secured creditors) on the assets of the debtor company to secure the repayment of any amounts to be borrowed to facilitate the insolvency proceeding, any amounts owing for the fees and costs of professionals involved in the insolvency proceeding, obligations of directors of the company with respect to their statutory liabilities and sometimes other amounts.

Canadian Insolvency and Restructuring Laws also contain provisions enabling an obligor to prepare and file a proposal or a plan of arrangement or reorganization for consideration by all or some of its creditors, to be voted on by the various classes of creditors affected thereby. Such a restructuring proposal or plan of arrangement or reorganization, if accepted by the requisite majority of each class of affected creditors and if approved by the relevant Canadian court, would be binding on all creditors of the applicable obligor within the affected classes, including the Indenture Trustee and the Noteholders, whether or not the Indenture Trustee or any holders of Senior Notes votes in favour of the restructuring proposal or plan of arrangement or reorganization. Such a proposal or plan of arrangement or reorganization may have the effect of compromising certain rights available to the Indenture Trustee and the holders of Senior Notes under the Master Trust Indenture or in respect of the collateral.

If the IESO were to become subject to Canadian Insolvency and Restructuring Laws, the transfers between the IESO and the Issuer pursuant to the Master Transfer and Servicing Agreement may not be respected as true sales of the Investment Interest.

Ordinarily, the interests of the Issuer as transferee of the Investment Interest may be subordinate to statutory deemed trusts and other non-consensual liens, trusts and claims created or imposed by statute or rule of law on the property of the IESO arising prior to the time an Investment Interest is transferred to the Issuer, which could reduce the amounts that may be available to the Issuer and, consequently, the holders of Senior Notes. Section 27(3) of the FHPA provides that at the time of the transfer to a Financing Entity under the FHPA, such transfer shall be deemed to have been perfected, vested, valid and binding against the IESO and all other persons who have claims of any kind against the IESO. Section 27(4) of the FHPA provides that section 27(3) applies regardless of whether the persons who have claims have received notice of the transfer and the property rights and interests acquired by the transferee shall have priority over any liens in favour of those persons. However, in the event that the IESO becomes insolvent, its insolvency would be subject to federal bankruptcy and insolvency legislation and the effect of these provisions of the FHPA in such circumstances is untested. The IESO will treat the transactions described herein as a transfer of the Regulatory Asset to the Issuer. Such transfers will be made in accordance with Section 26 of the FHPA. Section 27(1) of the FHPA provides that a transfer of a specified portion of the Regulatory Asset under section 26 constitutes a valid and enforceable absolute assignment, conveyance and sale of the corresponding Investment Interest to the transferee. As a transfer, the Investment Interest would not form part of the assets of the IESO and would not be available to the creditors of the IESO. However, with respect to certain insolvency events relating to the IESO, it is possible that an insolvency administrator or a creditor of the IESO may attempt to argue that the transactions between the IESO and the Issuer are not true sales of the Investment Interest. This position, if accepted by a court applying federal bankruptcy and insolvency laws, could prevent timely or ultimate payment of amounts due to the Issuer and, consequently, due from the Issuer to holders of Senior Notes.

These risks are in addition to the insolvency risks of the IESO noted above under "*Risks Associated with the Unusual Nature of the Investment Asset*".

If the IESO or any Electricity Vendor were to become subject to Canadian Insolvency and Restructuring Laws, collections that have been commingled may be unrecoverable and the Issuer's ability to enforce its rights against the IESO may be significantly impaired or delayed.

While the IESO is the servicer under the Master Transfer and Servicing Agreement, collections held by the IESO are to be held by the IESO in a segregated account. Until Clean Energy Adjustments are remitted to the IESO by Electricity Vendors, amounts collected by the Electricity Vendors are to be held by Electricity Vendors in segregated accounts. If the IESO or any Electricity Vendor fails to hold collections in a segregated account, then to the extent that funds are commingled and used for the benefit of the IESO or such Electricity Vendor prior to making required deposits, in the event of the liquidation, insolvency, receivership or administration or other proceeding under Canadian Insolvency and Restructuring Laws of the IESO or the Electricity Vendor, the ability of the Issuer to enforce its rights to the collections in a timely manner may be adversely affected and collections that have been commingled may be unrecoverable. In the event of the insolvency of the IESO, the right of the Issuer under the Master Transfer and Servicing Agreement to appoint a replacement servicer may be stayed or prevented.

These risks are in addition to the insolvency risks of the IESO noted above under "*Risks Associated with the Unusual Nature of the Investment Asset*".

If OPG were to become subject to Canadian Insolvency and Restructuring Laws, the Issuer's ability to enforce its rights against the Manager may be significantly impaired or delayed and the Issuer's assets and liabilities may be substantively consolidated with those of OPG.

Section 53.1 of the *Electricity Act, 1998* (Ontario), as amended by the FHPA, provides that, regardless of whether a Financing Entity is or is not a subsidiary of OPG: (a) the assets and liabilities of the Financing Entity shall not form part of the assets and liabilities of OPG or any of its subsidiaries (excluding the Financing Entity if it is a subsidiary); and (b) the assets and liabilities of OPG or any of its subsidiaries (excluding the Financing Entity if it is a subsidiary) shall not form part of the assets and liabilities of the Financing Entity. However, in the event that OPG becomes insolvent, its insolvency would be subject to federal bankruptcy and insolvency legislation and the effect of these

provisions of the *Electricity Act, 1998* (Ontario), as amended by the FHPA, in such circumstances is untested. In particular, in the event of the liquidation, insolvency, receivership or administration or other proceeding under Canadian Insolvency and Restructuring Laws of OPG, the ability of the Issuer to enforce certain of its rights in and to the Investment Interest in a timely manner may be adversely affected. Such affected rights may include the right to appoint a replacement Manager. It is possible that the creditors of OPG may attempt to substantively consolidate the assets and liabilities of OPG and the Issuer. The Issuer and OPG have taken steps to minimize this risk. However, no assurance can be given that, in the case of the insolvency of OPG, a court would not order that the Issuer's assets and liabilities be substantively consolidated with those of OPG. Such substantive consolidation would result in all creditors of OPG and the Issuer being paid out of a common pool of assets, with no distinction as to which assets are property of OPG and which assets are property of the Issuer, and could cause payment of the claims of the beneficial owners of the Senior Notes to be subject to substantial delay and to adjustment in timing and amount.

If the Issuer Trustee were to become subject to Canadian Insolvency and Restructuring Laws, the assets and liabilities of the Issuer may be substantively consolidated with the Issuer Trustee.

In the case of the insolvency of the Issuer Trustee, it is possible that the creditors of the Issuer Trustee may attempt to argue that the assets of the Issuer are held by the Issuer Trustee in its personal capacity (and not as trustee of the Issuer) and are to be available to the creditors of the Issuer Trustee. Assuming that the Issuer Trustee deals with the assets of the Issuer in accordance with the provisions of the Declaration of Trust, the assets of the Issuer would not constitute property of the Issuer Trustee available for distribution to the creditors of the Issuer Trustee. An insolvency administrator appointed with respect to the Issuer Trustee may be able to recover from the property of the Issuer a portion of its costs that are incurred until a replacement for the Issuer Trustee, as trustee of the Issuer, is appointed or pending any proceeding in respect of the property of the Issuer. Such costs may exceed the compensation provided for in the Declaration of Trust.

If a Specified Consumer were to become subject to Canadian Insolvency and Restructuring Laws, the Issuer's ability to collect Clean Energy Adjustment amounts from such Specified Consumer may be adversely affected.

The application to a Specified Consumer of Canadian Insolvency and Restructuring Laws and related provincial laws could also affect the ability to collect the Clean Energy Adjustments due for the period prior to the insolvency. Federal bankruptcy laws generally discharge bankrupt Specified Consumers who are individuals of their obligation to pay Clean Energy Adjustment amounts due for the period prior to the individual being discharged from bankruptcy.

If amounts in the Issuer Accounts for any Series are invested with entities that become subject to insolvency proceedings, the Issuer's ability to make payments to holders of Senior Notes may be adversely affected.

Amounts that are on deposit from time to time in the Issuer Accounts for any Series may be invested in Eligible Investments. If insolvency proceedings were to be commenced by or against any entity with which an Eligible Investment is made or which is an issuer, obligor or guarantee of any Eligible Investment, the ability of the Indenture Trustee to enforce its rights in respect of any such Eligible Investment and the ability of the Issuer to make payments to holders of Senior Notes in a timely manner may be adversely affected. In order to reduce this risk, the Eligible Investments must satisfy certain ratings criteria. See *"Rating Agency Condition"*.

Other Risks

The credit ratings are not an indication of the expected rate of payment of principal on the Senior Notes.

The Senior Notes will be rated by one or more established rating agencies. A rating is not a recommendation to buy, sell or hold the Senior Notes. The ratings merely analyze the probability that the Issuer will repay the total principal amount of each series of Senior Notes at its final principal payment date (which is later than the Principal Payment Date(s)) and will make timely interest payments. The ratings are not an indication that the rating agencies believe that principal payments are likely to be paid on time according to any expected sinking fund schedule. Thus, the Issuer might repay the principal of a holder of Senior Notes later than expected, which might materially reduce the value of a holder's investment in the Senior Notes.

If the ratings on the Senior Notes are withdrawn or revised downward, the value of a holder's investment in the Senior Notes may be adversely affected.

There is no assurance that any credit rating will remain in effect for any given period of time. The ratings on the Senior Notes may be withdrawn or revised downward at any time without notice, which may have an adverse effect on the market price of the Senior Notes. A rating is not a recommendation to buy, sell or hold the Senior Notes. The ratings merely analyze the probability that the Issuer will repay the total principal amount of each series of Senior Notes at its final principal payment date (which is later than the Principal Payment Date(s)) and will make timely interest payments. The ratings are not an indication that the rating agencies believe that principal payments are likely to be paid on time according to any expected sinking fund schedule. Ratings on the Senior Notes may be lowered, qualified or withdrawn at any time without notice.

The credit ratings of the IESO, OPG and the Province of Ontario might affect the market value of the Senior Notes.

The Senior Notes will not be insured or guaranteed by the Province of Ontario, IESO, OPG or any of their respective affiliates or any other person or entity, except that the Province of Ontario has agreed to provide a limited guarantee in respect of the Senior Notes following the occurrence of certain events. See *"Change of Law Protection Agreement"*. Although neither the IESO nor OPG are obligors in respect of the Senior Notes, a downgrading of the current credit ratings of the IESO, OPG or the Province of Ontario might have an adverse effect on the market value of the Senior Notes, particularly, with respect to the IESO, during the Moratorium Period when no Clean Energy Adjustments are permitted to be collected from Specified Consumers. Credit ratings might change at any time. A rating agency has the authority to revise or withdraw its rating based solely upon its own judgment.

The absence of an established market for the Senior Notes might limit the ability to resell or refinance the Senior Notes.

There is no public market for the Senior Notes, and the Issuer does not intend to apply for a listing of the Senior Notes on any stock exchange. There can be no assurance as to the liquidity of the trading market for the Senior Notes or that a trading market for the Senior Notes will develop.

There is currently no secondary market for the Senior Notes. There can be no assurance that a secondary market will develop or, if a secondary market does develop, that it will provide holders of such Senior Notes with liquidity for their investment or that it will continue for the term of such Senior Notes. Accordingly, purchasers of the Senior Notes may be required to bear the financial risk of investing in the Senior Notes until the maturity date of the Senior Notes.

If an active market does develop for the Senior Notes, the market price on the Senior Notes will depend on many factors including, but not limited to, (i) the Issuer's credit rating and the credit rating of the Senior Notes; (ii) the prevailing interest rates being paid on similar securities; (iii) the Issuer's financial condition and future prospects; and (iv) the overall condition of the economy and the financial markets. The condition of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations could have an adverse effect on the market price of the Senior Notes.

The Financial Services Manager has the ability to determine whether to refinance Senior Notes maturing after May 2024 through the issuance of another Series of Senior Notes. However, there can be no assurance that Senior Notes can be refinanced on or before their applicable Principal Payment Default Date.

Restrictions on resale might limit the ability to resell the Senior Notes.

The Senior Notes may not be offered or sold, directly or indirectly, in Canada or to or for the account of any Canadian resident except, in the case of sales made in any province of Canada, pursuant to an exemption from the prospectus requirements under applicable securities laws. The Issuer currently does not intend to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Senior Notes to the public in any province of Canada in connection with any Offering of Senior Notes. As a result, the Senior Notes purchased pursuant to this confidential shelf offering memorandum will be subject to restrictions on resale, and may

only be resold if a further statutory exemption may be relied upon by the investor or if an appropriate discretionary order or consent is obtained pursuant to applicable securities laws. See "Restrictions on Resale".

REPRESENTATIONS AND AGREEMENTS OF PURCHASERS

The distribution of the Senior Notes in Canada is being made on a private placement basis. By purchasing Senior Notes and accepting a purchase confirmation in respect thereof, a purchaser in Canada will be deemed to have represented to the Issuer and the Agents that, as at the date of such purchaser's purchase of Senior Notes:

(a) none of the Issuer, the Agents or any person representing the Issuer or the Agents has made any representations to it (written or oral) with respect to the Issuer, any Offering or sale of the Senior Notes, other than the information contained in this confidential shelf offering memorandum which has been delivered to it;

(b) it is resident in a province of Canada (each an "**Offering Jurisdiction**") and is entitled under applicable securities laws of such Offering Jurisdiction to purchase the Senior Notes without the benefit of a prospectus qualified under those securities laws and any act, solicitation, conduct or negotiation directly or indirectly in furtherance of such purchase and sale has occurred only in one of the provinces of Canada;

(c) the purchaser has been provided the opportunity to receive a copy of the Master Trust Indenture and each of the Supplemental Indentures;

(d) the purchaser has reviewed and acknowledges the terms referred to below under the section entitled "Restrictions on Resale";

(e) it is basing its investment decision solely on this confidential shelf offering memorandum and not on any other information or statement concerning the Issuer or any Offering and it has not become aware of any advertisement in printed media of general and regular paid circulation (or other printed public media), radio, television or telecommunications or other form of advertisement (including electronic display) with respect to the distribution of the Senior Notes;

(f) it has been independently advised as to restrictions with respect to trading in the Senior Notes imposed by applicable securities laws in the jurisdiction in which it resides, confirms that no representation (written or oral) has been made to it by or on behalf of the Issuer or an Agent with respect thereto, acknowledges that it is aware of the characteristics of the Senior Notes, the risks relating to an investment in the Senior Notes and of the fact that it may not be able to resell the Senior Notes except in accordance with limited exemptions under applicable securities legislation and regulatory policy and compliance with the other requirements of applicable law; and it agrees that any certificates representing the Senior Notes will bear a legend indicating that the resale of such Senior Notes is restricted; the purchaser further acknowledges that it has been advised to consult its own legal counsel in its jurisdiction of residence for full particulars of the resale restrictions applicable to it and has reviewed and acknowledges the terms referred to under the heading "Restrictions on Resale"; and the purchaser further acknowledges that if it resells the Senior Notes in compliance with applicable law it will give notice to the subsequent transferee during the restricted period noted under the heading "Restrictions on Resale" of such restrictions;

(g) it acknowledges the risks relating to an investment in the Senior Notes and it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its prospective investment in the Senior Notes, it and any accounts for which it is acting have the ability to bear the economic risks of the prospective investment and can afford the complete loss of such investment and it acknowledges that it and any accounts for which it is acting may be required to bear the financial risks of this investment for an indefinite period of time;

(h) it acknowledges that: (i) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Senior Notes; and (ii) there is no government or other insurance covering the Senior Notes;

(i) it acknowledges that no person has made any oral or written representation to it that any person will re-sell or re-purchase the Senior Notes, or refund any part or all of the purchase price of the Senior Notes, or that the Senior Notes will be listed on any exchange or quoted on any quotation and trade reporting system, or that any application has been or will be made to list the Senior Notes on any exchange or quote the notes on any quotation and trade reporting system, and no person has given any undertaking to such purchaser relating to the future value or price of the Senior Notes;

(j) none of the funds being used to purchase the Senior Notes are, to the best of the purchaser's knowledge, (i) proceeds obtained by or derived, directly or indirectly, as a result of illegal activities, or (ii) being tendered on behalf of a person or entity who has not been identified to the purchaser;

(k) the funds being used to purchase the Senior Notes and advanced by or on behalf of the purchaser to the Agents do not represent proceeds of crime for the purposes of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada);

(l) the purchaser is responsible to obtain independent investment, legal and tax advice with respect to its purchase of the Senior Notes and accordingly has had the opportunity to acquire an understanding of the transaction described in this confidential shelf offering memorandum and the meanings of all the terms contained herein relevant to such purchase for the purpose of giving acknowledgements, representations and agreements under this confidential shelf offering memorandum;

(m) it (i) is an "accredited investor" (as such term is defined in NI 45-106 and, in the case of a purchaser resident in Ontario, section 73.3(1) of the *Securities Act* (Ontario)) that is not an individual, unless such individual is also a "permitted client" (as such term is defined in NI 31-103); (ii) is either (A) purchasing the Senior Notes as principal, (B) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation of a jurisdiction of Canada (other than a trust company or trust corporation registered solely under the laws of the Province of Prince Edward Island) or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be, or (C) a person acting on behalf of a fully managed account managed by that person, if that person is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or foreign jurisdiction; and (iii) was not created or used solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the definition of "accredited investor" in NI 45-106;

(n) the purchaser has provided applicable certifications and/or other information or documentation to the Agents and the Issuer to evidence its status and criteria for compliance with the relevant category of "accredited investor," understands that the Agents and the Issuer may be required to verify that the purchaser satisfies such criteria, and that the purchaser may be required to provide additional information or documentation to the Agents and the Issuer to evidence such compliance;

(o) the purchaser, if resident in the Province of Québec, has agreed that all documents relating to such purchase be in English only, as more particularly described under the heading "Language of Documents". *L'acquéreur, s'il réside dans la Province de Québec, accepte que tous les documents liés à son acquisition soient en langue anglaise uniquement, tel qu'il est plus amplement décrit sous la rubrique «Langue des documents»*;

(p) it will execute, deliver and file such reports, undertakings and other documents relating to his, her or its purchase of the Senior Notes as may be required by applicable securities laws, regulations

and rules, or assist the Issuer and the Agents, as applicable, in obtaining and filing such reports, undertakings and other documents;

(q) it is not a U.S. person (as such term is defined in Regulation S under the U.S. Securities Act), none of the Senior Notes are being or will be acquired, directly or indirectly, for the account or benefit of a U.S. person, the purchaser was not offered any of the Senior Notes in the United States, the purchaser did not execute or deliver any agreement in connection herewith in the United States, and the purchaser is aware that the Senior Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any State of the United States and that the Senior Notes may not be offered or sold in the United States without registration under the U.S. Securities Act or except in compliance with the requirements of an exemption from registration;

(r) if the purchaser is acquiring any Senior Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the acknowledgements, representations and agreements contained herein on behalf of each such account;

(s) the offer and sale of the Senior Notes is conditional upon the offer and sale being exempt from the prospectus filing requirements of applicable securities law;

(t) the purchaser acknowledges that the Issuer may be required to disclose to applicable securities regulatory authorities the identity of the purchaser and any person with a beneficial interest in the Senior Notes;

(u) except for any rating reports that may have been issued by the applicable Rating Agencies, no agency, governmental authority, regulatory body, stock exchange or other entity has made any finding or determination as to the merit for investment of, nor have any such agencies or governmental authorities, regulatory bodies, stock exchanges or other entities made any recommendation or endorsement with respect to the Senior Notes;

(v) if the purchaser is:

(i) a corporation, it is duly incorporated and is validly subsisting under the laws of its jurisdiction of incorporation and has all requisite legal and corporate power and authority to purchase the Senior Notes and to make such representations and agreements as contemplated herein and has obtained all necessary approvals in respect thereof;

(ii) a partnership, syndicate or other form of unincorporated organization, it has the necessary legal capacity and authority to purchase the Senior Notes and to make such representations and agreements as contemplated herein and has obtained all necessary approvals in respect thereof; or

(iii) an individual, he or she is of the full age of majority, is a "permitted client" as such term is defined in NI 31-103 and is legally competent to purchase the Senior Notes and to make such representations and agreements as contemplated herein;

(w) the purchaser is not an "insider" of the Issuer (within the meaning of Canadian securities laws) and is not registered or required to be registered as a dealer, adviser or otherwise under the securities laws of any province of Canada (unless in either case it has specifically provided written advice to the contrary to the Issuer and to the Agents);

(x) it will, if requested by the Issuer or the Agent from whom the purchase confirmation is received, provide evidence of the basis of its above representations; and

(y) the Issuer, the Agents and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and it agrees that if any of the

acknowledgements, representations or agreements deemed to have been made by its purchase of the Senior Notes are no longer accurate, it shall promptly notify the Issuer and the Agents for the applicable Offering of Senior Notes.

In addition, each purchaser of Senior Notes, by purchasing Senior Notes and accepting a purchase confirmation in respect thereof, represents to the Issuer and the Agents for the applicable Offering of Senior Notes that the purchaser:

(a) has been notified by the Issuer:

(i) that the Issuer is required to provide information pertaining to the purchaser of Senior Notes required to be disclosed in Schedule 1 of Form 45-106F1 under NI 45-l06 (including its name, address, telephone number and the number and value of securities purchased), which Form 45-106F1 the Issuer is required to file under NI 45-106;

(ii) that such personal information will be delivered to the applicable Canadian securities regulatory authorities (the "**Commissions**") in accordance with NI 45-106;

(iii) that such personal information is being collected indirectly by the applicable Commission under the authority granted to it in securities legislation;

(iv) that such personal information is being collected for the purposes of the administration and enforcement of securities legislation; and

(v) that the public official in the provinces of Canada who can answer questions about the indirect collection of such personal information is set out in Schedule A of this confidential shelf offering memorandum, and

(b) has authorized the indirect collection of the personal information by the applicable Commission.

By purchasing Senior Notes, the purchaser also acknowledges that its name and other specified information, including the number of Senior Notes it has purchased, may be disclosed to other Canadian securities regulatory authorities and become available to the public in accordance with the requirements of applicable laws and consents to the disclosure of that information. Furthermore, by purchasing the Senior Notes, the purchaser acknowledges that certain information as to its status as an "accredited investor" that the purchaser may have provided to any Agent involved in the trade may be required to be delivered by such Agent to the Issuer under the terms of an Agency Agreement between the Issuer, OPG and the Agents referred to under "Plan of Distribution". By purchasing the Senior Notes, the purchaser consents to the disclosure of such information.

LANGUAGE OF DOCUMENTS

Upon receipt of this confidential shelf offering memorandum, each purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Senior Notes described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *En recevant le présent document, chaque acquéreur confirme par les présentes qu'il a expressément demandé que tous les documents qui attestent la vente des débentures décrites dans les présentes ou qui s'y rapportent de quelque manière que ce soit (y compris, plus particulièrement, une confirmation d'achat ou un avis) soient rédigés en langue anglais seulement.*

RESTRICTIONS ON RESALE

The distribution of the Senior Notes in the provinces of Canada is being made on a private placement basis and is therefore exempt from the requirement that the Issuer prepare and file a prospectus with the relevant Canadian securities regulatory authorities. Accordingly, any resale of the Senior Notes must be made: (a) through an appropriately registered dealer or pursuant to an exemption from the dealer registration requirements of applicable provincial securities laws; and (b) in accordance with, or pursuant to an exemption from, the prospectus requirements

of applicable provincial securities laws. These resale restrictions may in some circumstances apply to resales made outside of Canada. Purchasers are advised to seek legal advice prior to any resale of the Senior Notes.

Purchasers are advised that the Issuer does not intend to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Senior Notes to the public in any province of Canada in connection with any Offering.

Furthermore, each purchaser of Senior Notes, by its purchase thereof, will be deemed to have represented, acknowledged or confirmed, as the case may be, to the Issuer and any dealer who is involved in the sale of the Senior Notes to such purchaser that such purchaser understands that the Senior Notes are subject to transfer and resale restrictions in Canada and that the certificates representing the Senior Notes (or the relevant ownership statement under a direct registration system or other book-entry system) or other applicable document or notice (including this document) will bear or will notify the purchaser of the following legend:

> "EXCEPT IN THE PROVINCE OF MANITOBA, IN ACCORDANCE WITH NATIONAL INSTRUMENT 45-102 — RESALE OF SECURITIES, UNLESS OTHERWISE PERMITTED UNDER CANADIAN SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS FOUR MONTHS AND A DAY AFTER THE LATER OF (I) THE DATE ON WHICH THE SECURITY IS ISSUED; AND (II) THE DATE THE ISSUER BECOMES A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY OF CANADA.
>
> IN THE PROVINCE OF MANITOBA, UNLESS OTHERWISE PERMITTED UNDER APPLICABLE CANADIAN SECURITIES LAWS OR WITH THE PRIOR WRITTEN CONSENT OF THE APPLICABLE REGULATORS, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS TWELVE MONTHS AND A DAY AFTER THE DATE THE PURCHASER ACQUIRED THE SECURITY."

The Issuer is not and does not intend to become a reporting issuer.

There is currently no secondary market for the Senior Notes. There can be no assurance that a secondary market will develop or, if a secondary market does develop, that it will provide holders of such Series of Senior Notes with liquidity for their investment or that it will continue for the life of such Senior Notes. Accordingly, purchasers of the Senior Notes may be required to bear the financial risk of investing in the Senior Notes until the maturity date.

REPORTING REQUIREMENTS

The Issuer is not a reporting issuer or the equivalent thereof under the securities legislation in any jurisdiction. Accordingly, the Issuer is not subject to the continuous reporting and disclosure requirements prescribed by such securities legislation. Therefore, there is no requirement that the Issuer comply with such requirements, including, without limitation, the requirements to provide prompt notification of material changes by way of press releases, to formally file disclosure documents with applicable securities regulatory authorities or to prepare and file annual audited financial statements or quarterly unaudited financial statements. However, the Issuer will provide audited annual financial statements and unaudited quarterly financial statements in accordance with the terms of the Master Trust Indenture. See *"Description of Senior Notes — Reporting Requirements of Senior Notes"*.

STATUTORY RIGHTS OF ACTION

Securities legislation in certain of the provinces of Canada provides purchasers, in addition to any other rights they may have at law, with a remedy for rescission or damages where an offering memorandum or any amendment to it, and in some cases, advertising and sales literature used in connection therewith, contains a misrepresentation. These remedies, or notice with respect thereto, must be exercised or delivered, as the case may be, by the purchaser within the time limit prescribed, and are subject to the defences contained, in the applicable

securities legislation. Purchasers should refer to the applicable provisions of the securities legislation of their province for the particulars of these rights or consult with a legal advisor. The following is a summary of the rights of rescission or rights to damages available to purchasers of the Senior Notes.

Rights for Purchasers in Ontario

Section 5.2 of Ontario Securities Commission Rule 45-501 — *Ontario Prospectus and Registration Exemptions* provides that when an offering memorandum, such as this confidential shelf offering memorandum, is delivered to an investor to whom securities are distributed in reliance upon the "accredited investor" prospectus exemption in section 73.3 of the *Securities Act* (Ontario) or a predecessor exemption to section 73.3 of the *Securities Act* (Ontario) the right of action referred to in section 130.1 of the *Securities Act* (Ontario) ("**Section 130.1**") is applicable, unless the prospective purchaser is:

(a) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act;

(b) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;

(c) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);

(d) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or

(e) a subsidiary of any person referred to in paragraphs (a), (b), (c) or (d), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of the subsidiary.

Section 130.1(1) provides such investors who purchase securities offered by an offering memorandum with a statutory right of action against the Issuer of securities for rescission or damages in the event that the offering memorandum and any amendment to it contains a "misrepresentation". The term "misrepresentation" is defined to mean an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in the light of the circumstances in which it was made. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by applicable securities laws.

Where this confidential shelf offering memorandum is delivered to a prospective purchaser of Senior Notes in connection with a trade made in reliance on section 73.3 of the *Securities Act* (Ontario), and this document contains a misrepresentation, the purchaser will have, without regard to whether the purchaser relied on the misrepresentation, a statutory right of action against the Issuer for damages or, while still the owner of Senior Notes, for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages, provided that the right of action for rescission will be exercisable by the purchaser only if the purchaser commences the action not more than 180 days after the date of the transaction that gave rise to the cause of action; or, in the case of any action other than an action for rescission, the earlier of: (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the transaction that gave rise to the cause of action.

The Issuer will not be liable for a misrepresentation if it proves that the purchaser purchased the Senior Notes with knowledge of the misrepresentation.

In an action for damages, the Issuer will not be liable for all or any portion of the damages that the Issuer proves do not represent the depreciation in value of the Senior Notes as a result of the misrepresentation relied upon.

In no case will the amount recoverable for the misrepresentation exceed the price at which the Senior Notes were offered.

The liability of all persons and companies referred to above is joint and several. The Issuer, however, shall not be liable where it is not receiving any proceeds from the distribution of the securities being distributed and the misrepresentation was not based on information provided by the Issuer, unless the misrepresentation, (a) was based on information that was previously publicly disclosed by the Issuer, (b) was a misrepresentation at the time of its previous public disclosure and (c) was not subsequently publicly corrected or superseded by the Issuer prior to the completion of the distribution of the securities being distributed.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law.

This summary is subject to the express provisions of the *Securities Act* (Ontario) and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Rights for Purchasers in Saskatchewan

Section 138 of *The Securities Act, 1988* (Saskatchewan), as amended (the "**Saskatchewan Act**") provides that where an offering memorandum (such as this confidential shelf offering memorandum) or any amendment to it is sent or delivered to a purchaser and it contains a misrepresentation (as defined in the Saskatchewan Act), a purchaser who purchases a security covered by the offering memorandum or any amendment to it has, without regard to whether the purchaser relied on the misrepresentation, a right of action for rescission against the Issuer or a selling security holder on whose behalf the distribution is made or has a right of action for damages against:

(a) the Issuer or a selling security holder on whose behalf the distribution is made;

(b) every promoter and trustee of the Issuer or the selling security holder, as the case may be, at the time the offering memorandum or any amendment to it was sent or delivered;

(c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them;

(d) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the offering memorandum or the amendment to the offering memorandum; and

(e) every person who or company that sells securities on behalf of the Issuer or selling security holder under the offering memorandum or amendment to the offering memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

(a) if the purchaser elects to exercise its right of rescission against the Issuer or selling security holder, it will have no right of action for damages against that party;

(b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the securities resulting from the misrepresentation relied on;

(c) no person or company, other than the Issuer or a selling security holder, will be liable for any part of the offering memorandum or any amendment to it not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation;

(d) in no case will the amount recoverable exceed the price at which the securities were offered; and

(e) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation.

In addition, no person or company, other than the Issuer or selling security holder, will be liable if the person or company proves that:

(a) the offering memorandum or any amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company immediately gave reasonable general notice that it was so sent or delivered; or

(b) with respect to any part of the offering memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that: (i) there had been a misrepresentation, or (ii) the part of the offering memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Not all defences upon which the Issuer or others may rely are described herein. Please refer to the full text of the Saskatchewan Act for a complete listing.

The liability of all persons and companies referred to above is joint and several.

Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Section 138.2 of the Saskatchewan Act also provides that, subject to certain limitations and defences, where an individual makes a verbal statement to a purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the individual who made the verbal statement.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Saskatchewan Financial Services Commission.

Section 141(2) of the Saskatchewan Act also provides a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by Section 80.1 of the Saskatchewan Act.

The rights of action for damages or rescission under the Saskatchewan Act are in addition to and do not derogate from any other right which a purchaser may have at law.

Section 147 of the Saskatchewan Act provides that no action will be commenced to enforce any of the foregoing rights more than:

(a) in the case of an action for rescission or cancellation, 180 days after the date of the transaction that gave rise to the cause of action; or

(b) in the case of any other action, other than an action for rescission or cancellation, the earlier of:

(i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or

(ii) six years after the date of the transaction that gave rise to the cause of action.

The Saskatchewan Act also provides that a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act has a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two business days of receiving the amended offering memorandum.

This summary is subject to the express provisions of the Saskatchewan Act and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Rights for Purchasers in Nova Scotia

The right of action for rescission or damages described herein is conferred by section 138 of the *Securities Act* (Nova Scotia). Section 138 provides, in the relevant part, that in the event that this confidential shelf offering memorandum, together with any amendments hereto, or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia)) contains an untrue statement of material fact or omits to state a material fact that is required to be stated or that is necessary in order to make any statements contained herein or therein not misleading in light of the circumstances in which it was made (a "**misrepresentation**"), a purchaser of Senior Notes is deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the Issuer, its trustees, any person who signed this confidential shelf offering memorandum, any selling security holder and the directors of any such selling security holder at the date of this confidential shelf offering memorandum or, alternatively, while still the owner of the Senior Notes, may elect instead to exercise a statutory right of rescission against the Issuer, in which case the purchaser will have no right of action for damages against any person listed above, including the Issuer, provided that, among other limitations:

(a) no action will be commenced to enforce the right of action for rescission or damages by a purchaser resident in Nova Scotia under Section 138 later than 120 days after the date payment was made for the Senior Notes (or after the date on which initial payment was made for the Senior Notes where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment);

(b) no person will be liable if it proves that the purchaser purchased the Senior Notes with knowledge of the misrepresentation;

(c) no person or company, other than the Issuer, is liable under Section 138 if the person or company proves that:

(i) this confidential shelf offering memorandum, or any amendment hereto, was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;

(ii) after delivery of this confidential shelf offering memorandum, or the amendment hereto, and before the purchase of the Senior Notes by the purchaser, on becoming aware of any misrepresentation in this confidential shelf offering memorandum, or the amendment hereto, or any record incorporated or deemed incorporated by reference therein, the person or company withdrew the person's or company's consent to this confidential shelf offering memorandum, or amendment hereto, or such record, and gave reasonable general notice of the withdrawal and the reason for it; or

(iii) with respect to any part of this confidential shelf offering memorandum, or amendment hereto, or any record incorporated or deemed to be incorporated by reference therein, purporting to be made on the authority of an expert, or to be a copy of, or an extract from a report, an opinion or a statement of an expert, the person or company had no reasonable

grounds to believe and did not believe that there had been a misrepresentation, or that the relevant part of this confidential shelf offering memorandum, or amendment hereto, or such record, did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or extract from, the report, opinion or statement of the expert;

(d) no person or company, other than the Issuer, is liable under Section 138 with respect to any part of this confidential shelf offering memorandum, or amendment hereto, or any record incorporated or deemed incorporated by reference therein, not purporting to be made on the authority of an expert, or to be a copy of or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or believed that there had been a misrepresentation;

(e) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Senior Notes resulting from the misrepresentation; and

(f) in no case will the amount recoverable under Section 138 in any action exceed the price at which the Senior Notes were offered to the purchaser.

The liability of all persons or companies referred to above is joint and several with respect to the same cause of action. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person or company who is jointly and severally liable to make the same payment in the same cause of action unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable.

The foregoing statutory right of action for rescission or damages conferred by Section 138 of the Securities Act (Nova Scotia) is in addition to and without derogation from any other right or remedy available at law or otherwise to the purchaser. This summary is subject to the express provisions of the *Securities Act* (Nova Scotia) and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions may have at law.

Rights for Purchasers in New Brunswick

Section 2.1 of New Brunswick Securities Commission Rule 45-802 provides that the statutory rights of action in rescission or damages referred to in Section 150 of the *Securities Act* (New Brunswick) ("**Section 150**") apply to information relating to an offering memorandum, such as this confidential shelf offering memorandum, that is provided to a purchaser of securities in connection with a distribution made in reliance on the "accredited investor" prospectus exemption in Section 2.3 of NI 45-106. Section 150 provides investors who purchase securities offered for sale in reliance on an exemption from the prospectus requirements of the *Securities Act* (New Brunswick) with a statutory right of action for damages against (i) the Issuer; (ii) the selling security holder on whose behalf the distribution was made; (iii) every person who was a director of the Issuer as at the date of the offering memorandum; and (iv) every person who signed the offering memorandum in the event that an offering memorandum provided to such investor contains a "misrepresentation". Alternatively, if the investor purchased the securities from a person referred to in (i) or (ii) above, an investor may elect a right of rescission, in which case the investor shall have no right of action for damages. "Misrepresentation" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

Where this confidential shelf offering memorandum is delivered to a prospective purchaser of Senior Notes in connection with a trade made in reliance on Section 2.3 of NI 45-106, and this document (including any documentation incorporated or deemed to be incorporated by reference) contains a misrepresentation, a purchaser who purchases the securities will be deemed to have relied on the misrepresentation and will have, subject to certain limitations and defences, a statutory right of action against the Issuer for damages or, while still the owner of Senior Notes, for rescission. If the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages. The right of action for rescission will be exercisable by the purchaser only if the purchaser commences the action against the defendant, not more than 180 days after the date of the transaction that gave rise to the cause of action; or, in the case of any action other than an action for rescission, the earlier of: (i) one year after

the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) six years after the date of the transaction that gave rise to the cause of action.

No person other than the Issuer or the selling security holder is liable under Section 150 if the person proves that:

(a) the offering memorandum was delivered to the purchaser without the person's knowledge or consent and that, on becoming aware of its delivery, the person gave written notice to the Issuer that it was delivered without the person's knowledge or consent;

(b) upon becoming aware of a misrepresentation in the offering memorandum the person withdrew the person's consent to the offering memorandum and gave written notice to the Issuer of the withdrawal and the reason for the withdrawal; or

(c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person had no reasonable grounds to believe and did not believe there had been a misrepresentation or that the relevant part of the offering memorandum did not fairly represent the report, opinion or statement of the expert or was not a fair copy of, or extract from, the report, opinion or statement of the expert.

In addition, no person other than the Issuer or the selling security holder is liable under Section 150 with respect to any part of an offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert unless (i) the person failed to conduct such reasonable investigations as to provide reasonable grounds for a belief that there had been no misrepresentation or (ii) the person believed that there had been misrepresentation.

The defendant will not be liable for a misrepresentation if it proves that the purchaser purchased the Senior Notes with knowledge of the misrepresentation.

In an action for damages, the defendant will not be liable for all or any portion of the damages that the defendant proves do not represent the depreciation in value of the Senior Notes as a result of the misrepresentation relied upon.

In no case will the amount recoverable for the misrepresentation exceed the price at which the Senior Notes were offered.

The liability of all persons referred to above is joint and several.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law.

This summary is subject to the express provisions of the Securities Act (New Brunswick) and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Rights for Purchasers in Prince Edward Island

The right of action for rescission or damages described herein is conferred by Section 112 of the *Securities Act* (Prince Edward Island). Section 112 provides, that in the event that this confidential shelf offering memorandum contains a "misrepresentation", a purchaser who purchased the Senior Notes during the period of distribution, without regard to whether the purchaser relied upon such misrepresentation, has a statutory right of action for damages against the Issuer, the selling security holder on whose behalf the distribution was made, every trustee of the Issuer as at the date of the confidential shelf offering memorandum, and every person who signed the confidential shelf offering memorandum. Alternatively, the purchaser while still the owner of the Senior Notes may elect to exercise a statutory right of action for rescission against the Issuer. "Misrepresentation" means an untrue statement of material fact, or an omission to state a material fact that is required to be stated by the *Securities Act* (Prince Edward

Island), or an omission to state a material fact that needs to be stated so that a statement is not false or misleading in light of the circumstances in which it is made. Statutory rights of action for rescission or damages by a purchaser are subject to the following limitations:

(a) no action will be commenced to enforce the right of action for rescission by a purchaser, resident in Prince Edward Island, later than 180 days after the date of the transaction that gave rise to the cause of action;

(b) in the case of any action other than an action for rescission, the earlier of;

(i) 180 days after the purchaser first had knowledge of the facts given rise to the cause of action; or

(ii) three years after the date of the transaction giving rise to the cause of action;

(c) no person will be liable if the person proves that the purchaser purchased the security with knowledge of the misrepresentation;

(d) no person other than the Issuer will be liable if the person proves that

(i) the confidential shelf offering memorandum was sent to the purchaser without the person's knowledge or consent and that, on becoming aware of it being sent, the person had promptly given reasonable notice to the Issuer that it had been sent without the knowledge and consent of the person;

(ii) the person, on becoming aware of the misrepresentation in the confidential shelf offering memorandum, had withdrawn the person's consent to the confidential shelf offering memorandum and had given reasonable notice to the Issuer of the withdrawal and the reason for it; or

(iii) with respect to any part of the confidential shelf offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe, and did not believe that;

(A) there had been a misrepresentation; or

(B) the relevant part of the confidential shelf offering memorandum:

a. did not fairly represent the report, statement or opinion of the expert, or

b. was not a fair copy of, or an extract from, the report, statement, or opinion of the expert.

Not all defences upon which the Issuer or others may rely are described herein. Please refer to the full text of the *Securities Act* (Prince Edward Island) for a complete listing.

If the purchaser elects to exercise a right of action for rescission, the purchaser will have no right of action for damages.

In no case will the amount recoverable in any action exceed the price at which the Senior Notes were offered to the purchaser.

In an action for damages, the defendant will not be liable for any damages that the defendant proves do not represent the depreciation in value of the Senior Notes as a result of the misrepresentation.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law.

This summary is subject to the express conditions of the *Securities Act* (Prince Edward Island) and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Rights for Purchasers in Manitoba

Pursuant to section 141.1(1) of *The Securities Act* (Manitoba) (the "**Manitoba Act**"), where this confidential shelf offering memorandum, or any amendment to this confidential shelf offering memorandum, is sent or delivered to a purchaser in the Province of Manitoba and such document contains a misrepresentation, a purchaser who purchases Senior Notes offered by this confidential shelf offering memorandum or any amendment to this confidential shelf offering memorandum is deemed to have relied on that misrepresentation, if it was a misrepresentation at the time of purchase and, subject to the defenses described in the Manitoba Act, has:

(a) a right of action for damages against:

(i) the Issuer;

(ii) each of its trustees at the date of this confidential shelf offering memorandum or any amendment to this confidential shelf offering memorandum; and

(iii) every person or company who signed this confidential shelf offering memorandum or any amendment to this confidential shelf offering memorandum; and

(b) a right of rescission against the Issuer;

provided that:

(c) no person or company is liable if the person or company proves that the purchaser purchased the Senior Notes with knowledge of the misrepresentation;

(d) in an action for damages, the defendant is not liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the Senior Notes resulting from the misrepresentation relied on; and

(e) in no case will the amount recovered exceed the price at which the Senior Notes were offered to the public.

Where a purchaser elects to exercise a right of rescission against the Issuer, the purchaser will have no right of action for damages against the Issuer or against a person or company referred to in (a)(ii) or (iii) above.

No person or company other than the Issuer is liable:

(a) if the person or company proves that this confidential shelf offering memorandum or any amendment to this confidential shelf offering memorandum was sent without the person's or company's knowledge or consent and that, after becoming aware of its being sent, the person or company promptly gave reasonable notice to the Issuer that it was so sent;

(b) if the person or company proves that after becoming aware of any misrepresentation in this confidential shelf offering memorandum or any amendment to this confidential shelf offering memorandum, the person or company withdrew the person's or company's consent to it and gave reasonable notice to the Issuer of the person's or company's withdrawal and the reason for it;

(c) if the person or company proves that with respect to any part of this confidential shelf offering memorandum or of any amendment to this confidential shelf offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of or an extract from a report, opinion or statement of an expert, the person or company had no reasonable grounds to believe and did not believe that:

(i) there had been a misrepresentation; or

(ii) the relevant part of this confidential shelf offering memorandum or of the amendment to this confidential shelf offering memorandum:

(A) did not fairly represent the report, opinion or statement of the expert; or

(B) was not a fair copy of or extract from the report, opinion or statement of the expert; or

(d) with respect to any part of this confidential shelf offering memorandum or of the amendment to this confidential shelf offering memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, the expert's report, opinion or statement, unless the person or company:

(i) did not conduct an investigation, sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; or

(ii) believed that there had been a misrepresentation.

Pursuant to section 141.4 of the Manitoba Act, but subject to the other provisions thereof, no action shall be commenced to enforce any of the foregoing rights more than:

(a) in the case of an action for rescission, 180 days from the date of the transaction that gave rise to the cause of action, or

(b) in the case of an action for damages, the earlier of:

(i) 180 days after the date that the plaintiff first had knowledge of the facts giving rise to the cause of action, or

(ii) two years after the date of the transaction that gave rise to the cause of action.

In an action for damages, the Issuer will not be liable for all or any part of the damages that the Issuer proves do not represent the depreciation in value of the Senior Notes as a result of the misrepresentation relied upon.

The rights of action for rescission or damages under the Manitoba Act are in addition to and do not derogate from any other right that the purchaser may have at law.

This summary is subject to the express provisions of the Manitoba Act and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Rights for purchasers in Newfoundland and Labrador

In accordance with section 130.1 of the *Securities Act* (Newfoundland and Labrador, hereinafter the "**NL Act**"), in the event this confidential shelf offering memorandum contains a misrepresentation, a purchaser who purchases Senior Notes shall be deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase, in which event the purchaser has, subject to the defences and limitations set out in the NL Act: (a) a right of action for damages against the Issuer and, every trustee of the Issuer at the date of this confidential shelf

offering memorandum and every person or company who has signed this confidential shelf offering memorandum; and (b) a right of rescission against the Issuer. Where a right of rescission is exercised, a purchaser shall have no right of action for damages against any other person or company.

For the purposes of the NL Act "misrepresentation" means: (a) an untrue statement of material fact, or (b) an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

A person or company is not liable under section 130.1 of the NL Act: (a) if the person or company proves the purchaser had knowledge of the misrepresentation; or (b) in an action for damages, for all or any portion of the damages that the person or company proves do not represent the depreciation in value of the security as a result of the misrepresentation. Additionally, in an action for damages, the amount recoverable under the right of action shall not exceed the purchase price at which the security was offered.

In addition no person or company, other than the Issuer, is liable under section 130.1 of the NL Act if:

(a) the person or company proves that this confidential shelf offering memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the Issuer that it was sent without the person's or company's knowledge or consent;

(b) the person or company proves that on becoming aware of any misrepresentation in this confidential shelf offering memorandum, the person or company withdrew the person's or company's consent to this confidential shelf offering memorandum, and gave reasonable notice to the Issuer of the withdrawal and the reason for it;

(c) with respect to any part of this confidential shelf offering memorandum purporting to be made on the authority of an expert (or purporting to be a copy of or an extract from a report, opinion or statement of an expert), the person or company proves they had no reasonable grounds to believe and did not believe that: (i) there had been a misrepresentation; or (ii) the relevant part of this confidential shelf offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert; or

(d) with respect to any part of this confidential shelf offering memorandum not purporting to be made on the authority of an expert (and not purporting to be a copy of or an extract from a report, opinion or statement of an expert), unless the person or company: (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; (ii) or believed there had been a misrepresentation.

If a misrepresentation is contained in a record incorporated by reference in, or deemed incorporated into this confidential shelf offering memorandum, the misrepresentation is deemed to be contained in this confidential shelf offering memorandum.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law. The liability of all persons and companies referred to above is joint and several.

Pursuant to section 138 of the NL Act, no action shall be commenced to enforce the rights conferred by section 130.1 thereof unless commenced:

(a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or

(b) in the case of an action, other than an action for rescission, the earlier of:

(i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action; or

(ii) three years after the date of the transaction that gave rise to the cause of action.

Rights for Purchasers in Alberta, British Columbia, and Québec

By purchasing Senior Notes hereunder, purchasers in Alberta, British Columbia and Québec not entitled to the statutory rights described above, in consideration of their purchase of Senior Notes and upon accepting a purchase confirmation in respect thereof, are hereby granted a contractual right of action for damages or rescission that is the same as the statutory right of action, if any, provided to residents of Ontario who purchase Senior Notes.

General

The foregoing summaries are subject to the express provisions of the applicable securities law of each jurisdiction, and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions.

The rights of action described in this confidential shelf offering memorandum are in addition to and without derogation from any other right or remedy that the purchaser may have at law.

INDENTURE TRUSTEE

The Indenture Trustee, BNY Trust Company of Canada, will be the registrar for the Senior Notes, and the register for the transfer of Senior Notes will be kept at its principal office in Toronto, Ontario.

LEGAL MATTERS

Certain Canadian legal matters in connection with the offering of Senior Notes will be passed upon by Torys LLP on behalf of the Issuer and by Osler, Hoskin & Harcourt LLP on behalf of the Agents.

GLOSSARY

[NTD: Glossary in progress. For ease of reference, Torys is considering adding an index or replacing glossary with an index for terms that are defined in the body.]

The following glossary contains definitions of certain terms that are used throughout this confidential shelf offering memorandum.

"**Acceleration Event**" means the acceleration of any Series of Controlling Class Obligations pursuant to and in accordance with its Funding Obligation Agreement.

"**Adherence Compliance Certificate**" has the meaning set out under *"Change of Law Protection Agreement — Approved Obligations & Adherence Conditions"*.

"**Adverse Effect**" has the meaning set out under *"Capital Markets Platform — Conditions Precedent to Incurrence of Obligations Secured — Issuer Funding Obligations"*.

"**Agency Agreement**" has the meaning set out under *"Plan of Distribution"*.

"**Agents**" means the agents designated by the Issuer from time to time and identified in the Term Sheet applicable to such Offering to sell the Senior Notes as described under *"Plan of Distribution"*.

"**Approved Obligation**" has the meaning set out under *"Change of Law Protection Agreement — Approved Obligations & Adherence Conditions"*.

"**Available Collections**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Collection Account"*.

"**Borrowing**" means a borrowing or drawing by the Issuer pursuant to a liquidity agreement, a loan agreement or a credit enhancement agreement.

"**Canadian Insolvency and Restructuring Laws**" has the meaning set out under *"Risk Factors — Risks Associated with the Unusual Nature of the Investment Asset"*.

"**Carrying Costs**" has the meaning ascribed to the term "carrying costs" in the Regulations.

"**CDS**" means CDS Clearing and Depository Services Inc.

"**Certified Primary Obligation**" has the meaning set out under *"Change of Law Protection Agreement — Approved Obligations & Adherence Conditions"*.

"**Class**" has the meaning set out under *"Capital Markets Platform — Subordination Provisions"*.

"**Clean Energy Adjustment**" has the meaning set out under *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

"**Clean Energy Benefits**" means the value of the benefits determined to be derived by or accruing to Specified Consumers as a result of the Clean Energy Initiative, including as a result of Clean Energy Costs.

"**Clean Energy Costs**" means the value of the costs allocated to Specified Consumers as a result of the Clean Energy Initiative, including as a result of past, present and expected costs incurred in respect of

(a) the amounts to be paid or reflected by the IESO in adjustments made under section 25.33 of the *Electricity Act, 1998* (Ontario) or any provision that is the successor to that provision, which relate to

contracts or amounts for

(i) renewable energy generation or capacity;

(ii) conservation and demand management;

(iii) energy storage;

(iv) energy efficiency; and

(v) natural gas generation and capacity, excluding contracts relating to amounts payable by the IESO under section 78.2 of the *Ontario Energy Board Act, 1998* and excluding such other contracts as may be prescribed;

(b) payments made or expected to be made under section 78.5 of the *Ontario Energy Board Act, 1998*; and

(c) such other costs or estimated costs as may be prescribed by the Regulations.

"**Clean Energy Initiative**" means the policies of the Ontario government related to

(a) eliminating coal generation and fostering the growth of and investment in clean, modern and reliable energy sources and technologies;

(b) removing barriers to and promoting opportunities for clean and renewable energy sources and technologies;

(c) promoting conservation, demand management and energy efficiency; and

(d) investing in energy infrastructure to ensure a clean, modern and reliable system.

"**Clearstream, Luxembourg**" means Clearstream Banking, société anonyme.

"**Collateral**" has the meaning set out under *"Capital Markets Platform — Security"*.

"**Collection Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Collection Account"*.

"**Collection Account Waterfall**" has the meaning set out under *"Capital Markets Platform — Payment Waterfalls Prior to Acceleration — Collection Account"*.

"**Commission**" has the meaning set out under *"Representations and Agreements of Purchasers"*.

"**Confidential Information**" has the meaning set out under *"Confidentiality"*.

"**Controlling Class Creditors**" means the Debtholders holding Controlling Class Obligations.

"**Controlling Class Obligations**" means: (a) Senior Funding Obligations until such time as all Senior Funding Obligations have been paid in full; then (b) if all Senior Funding Obligations have been paid in full, Subordinated Funding Obligations until such time as all Subordinated Funding Obligations have been paid in full; and finally (c) if all Senior Funding Obligations and Subordinated Funding Obligations have been paid in full, Junior Subordinated Funding Obligations until such time as all Junior Subordinated Funding Obligations have been paid in full.

"**Co-Owner Agreement**" means any agreement between, *inter alia*, the Issuer and any other owner or owners of an Investment Interest as contemplated by the FHPA.

"**DBRS**" means DBRS Limited and its successors.

"**Debtholder**" means a Noteholder or a Lender.

"**Debtholder Group**" has the meaning set out under *"Capital Markets Platform — Debtholder Approvals and Meetings — Debtholder Meetings"*.

"**Declaration of Trust**" has the meaning set out under *"The Issuer"*.

"**Default**" means the occurrence of any event which, after the passage of time, the required notification to the Indenture Trustee and, if required, approval by the required Controlling Class Creditors, would become an Event of Default.

"**depository**" has the meaning set out under *"Depository Services"*.

"**Derivative Counterparty**" means any party to any derivative agreement other than the Issuer or the Indenture Trustee.

"**Derivative Funding Obligations**" means Funding Obligations arising under, or in connection with, derivative agreements.

"**DTC**" means The Depositary Trust Company.

"**Electricity Vendor**" means

(a) a person licensed under Part V of the *Ontario Energy Board Act, 1998* to own or operate a "distribution system" within the meaning of that Act;

(b) a person licensed under Part V of the *Ontario Energy Board Act, 1998* to retail electricity;

(c) the IESO in circumstances where it directly invoices a Specified Consumer for electricity used in Ontario; or

(d) such other person as may be prescribed by the Regulations.

"**Eligible Deposit Account**" has the meaning set out under "*Capital Markets Platform — Security — Issuer Accounts*".

"**Eligible Institution**" means (a) a trust company or Schedule I chartered bank (or an affiliate thereof) incorporated under the laws of Canada or any province thereof (i) which has either (x) a long-term unsecured debt rating of "A" or better by DBRS, or (y) a short-term deposit rating of "R-1 (low)" or better by DBRS, and (ii) which has either (x) a long-term unsecured debt rating of "A2" or better by Moody's, or (y) a short-term deposit rating of "P-1" or better by Moody's, or (b) any institution that otherwise satisfies the Rating Agency Condition.

"**Eligible Investments**" means instruments or investment property that evidence:

(a) direct obligations of, or obligations fully and unconditionally guaranteed as to timely payment by, Canada or the United States of America;

(b) demand or time deposits of, unsecured certificates of deposit of, money market deposit accounts of, bank deposit products of or bankers' acceptances issued by, any depository institution (including, but not limited to, bank deposit products of the Indenture Trustee, acting in its commercial capacity) incorporated or organized under the laws of the United States of America, Canada or any state or province thereof and subject to supervision and examination by applicable banking authorities, so long as the commercial paper or other short-term debt obligations of such depository institution are, at the time of deposit, rated at least "R-1 (low)" and "P 1" by each of DBRS and Moody's, or such lower rating as will not result in the downgrading or withdrawal of the ratings of the Issuer or any of the Issuer Funding Obligations;

(c) commercial paper (including commercial paper of the Indenture Trustee, acting in its commercial capacity), which at the time of purchase is rated at least "R-1 (low)" and "P-1" by each of DBRS and Moody's, or such lower rating as will not result in the downgrading or withdrawal of the ratings of the Issuer or any of the Issuer Funding Obligations;

(d) investments in money market funds having a rating in the highest investment category granted thereby (including funds for which the Indenture Trustee or any of its affiliates is investment manager or advisor) from DBRS and Moody's;

(e) repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by, the United States of America, Canada or their respective agencies or instrumentalities, entered into with Eligible Institutions;

(f) repurchase obligations with respect to any security or whole loan entered into with an Eligible Institution or with a registered broker/dealer acting as principal and that meets the ratings criteria set forth below:

(i) a broker/dealer (acting as principal) registered as a broker or dealer under the *Securities Act*

(Ontario) (any such broker/dealer being referred to in this definition as a "**broker/dealer**"), the unsecured short-term debt obligations of which are rated at least "P-1" by Moody's and "R-1" by DBRS at the time of entering into such repurchase obligation; or

(ii) an unrated broker/dealer, acting as principal, that is a wholly-owned subsidiary of a non-bank or bank holding company the unsecured short-term debt obligations of which are rated at least "P-1" by Moody's and "R-1" by DBRS at the time of purchase so long as the obligations of such unrated broker/dealer are unconditionally guaranteed by such non-bank or bank holding company; and

(g) any other investment permitted by each of the Rating Agencies;

in each case maturing not later than the business day preceding the next Payment Date, Interest Payment Date or Principal Payment Date, as applicable (for the avoidance of doubt, investments in money market funds or similar instruments that are redeemable on demand shall be deemed to satisfy the foregoing requirement). Notwithstanding the foregoing, no securities or investments that mature in 30 days or more shall be "Eligible Investments" unless the issuer thereof has (x) either a short-term unsecured debt rating of at least "P-1" from Moody's or a long-term unsecured debt rating of at least "A2" from Moody's and also has (y) either a short-term unsecured debt rating of at least "R-1 (low)" from DBRS or a long-term unsecured debt rating of at least "A" from DBRS.

"**Eligible Securities Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts"*.

"**Euroclear**" means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

"**Event of Default**" has the meaning set out under *"Capital Markets Platform — Event of Default"*.

"**Extraordinary Resolution**" has the meaning set out under *"Capital Markets Platform — Debtholder Approvals and Meetings — Debtholder Meetings"*.

"**Fair Adjustment**" has the meaning set out under *"Ontario's Fair Hydro Plan — Background"*.

"**Fair Allocation Amount**" has the meaning set out under *"Ontario's Fair Hydro Plan — Fair Allocation Amount and Financing Plan"*.

"**FHPA**" means the *Ontario Fair Hydro Plan Act, 2017*.

"**Finance Amount**" has the meaning set out under *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

"**Financial Services Manager**" means OPG, in its capacity as financial services manager appointed under the FHPA to perform the duties assigned to it thereunder.

"**Financing Entity**" has the meaning set out under *"Ontario's Fair Hydro Plan — Background"*.

"**Financing Plan**" means the written plan entitled "Financing Plan" prepared by the Financial Services Manager as required under the FHPA to be used by the Financial Services Manager to evaluate whether Funding Obligations should be incurred for the purposes of acquiring Investment Interests, including any amendments thereto.

"**Funding Obligation**" has the meaning set out under *"Ontario's Fair Hydro Plan — Background"*.

"**Funding Obligation Agreement**" means any Note, any Supplemental Indenture (including any Terms Document), any liquidity agreement, any liquidity agreement, any credit enhancement agreement or any derivative agreement.

"**Funding Rebate**" has the meaning set out under *"Ontario's Fair Hydro Plan — Investment Interest"*.

"**Governmental Authority**" means any nation or government, any federal, state, provincial, local or other political subdivision thereof and any court, administrative agency or other instrumentality or entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

"**HOEP**" has the meaning set out under *"The Electricity Industry in Ontario — Electricity Prices"*.

"**IESO**" means the Independent Electricity System Operator.

"**IESO Cash Reserve Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — IESO Cash Reserve Account"*.

"**IESO Cash Reserve Deposit Amount**" means an amount equal to the aggregate of:

(a) 0.50% of the aggregate outstanding principal amount of the Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations determined as of the Payment Date occurring in April, 2021; and

(b) an amount estimated by the Manager, acting reasonably, as the amount of Carrying Costs payable by the Issuer during May, June and July, 2021 on outstanding Issuer Funding Obligations and any Issuer Funding Obligations to be issued in accordance with the Financing Plan, provided that such estimate satisfies the Rating Agency Condition.

"**IESO Cash Reserve Required Amount**" means, on any Payment Date on or after the Payment Date in November, 2021, the amount, if any, by which (a) an amount equal to 0.50% of the aggregate outstanding principal amount of the Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations, exceeds (b) the amount on deposit in the Program Cash Reserve Account, determined after giving effect to all settlements on such Payment Date.

"**IESO Security Agreement**" means the security agreement made by the IESO in favour of the Issuer to secure its obligations to pay the Issuer's Carrying Costs pursuant to the Master Transfer and Servicing Agreement.

"**Indemnity Agreement**" means the Indemnity Agreement dated December 21, 2017 by OPG in favour of the Indenture Trustee.

"**Indenture**" means the Master Trust Indenture, as supplemented by any Supplemental Indenture.

"**Indenture Trustee**" means BNY Trust Company of Canada and its successors.

"**Interest Accrual Amount (Junior Subordinated)**" means, in respect of any Payment Date and all Junior Subordinated Funding Obligations, the amount of interest that accrued on such Junior Subordinated Funding Obligations during the period from and including the issuance date of such Junior Subordinated Funding Obligations or the last date to which interest has been paid in respect of such Junior Subordinated Funding Obligations, as applicable, to such Payment Date less any amounts deposited to the Interest Accumulation Account in respect of such interest accruing during such period pursuant to the Collection Account Waterfall and the payment waterfall applicable to the IESO Cash Reserve Account.

"**Interest Accrual Amount (Senior)**" means, in respect of any Payment Date and all Senior Funding Obligations, the amount of interest that accrued on such Senior Funding Obligations during the period from and including the issuance date of such Senior Funding Obligations or the last date to which interest has been paid in respect of such Senior Funding Obligations, as applicable, to such Payment Date less any amounts deposited to the Interest Accumulation Account in respect of such interest accruing during such period pursuant to the Collection Account Waterfall and the payment waterfall applicable to the IESO Cash Reserve Account.

"**Interest Accrual Amount (Subordinated)**" means, in respect of any Payment Date and all Subordinated Funding Obligations, the amount of interest that accrued on such Subordinated Funding Obligations during the period from

and including the issuance date of such Subordinated Funding Obligations or the last date to which interest has been paid in respect of such Subordinated Funding Obligations, as applicable, to such Payment Date less any amounts deposited to the Interest Accumulation Account in respect of such interest accruing during such period pursuant to the Collection Account Waterfall and the payment waterfall applicable to the IESO Cash Reserve Account.

"**Interest Accumulation Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Interest Accumulation Account"*.

"**Interest Payment Date**" means each business day on which interest is due and payable in respect of Senior Funding Obligations, Subordinated Funding Obligations or Junior Subordinated Funding Obligations, as set out in the related Funding Obligation Agreement.

"**Investment Asset**" has the meaning set out under *"Ontario's Fair Hydro Plan — Investment Interest"*.

"**Investment Interest**" has the meaning set out under *"Ontario's Fair Hydro Plan — Investment Interest"*.

"**Investor Presentation**" has the meaning set out on the face page of this confidential shelf offering memorandum.

"**Issuer**" means Fair Hydro Trust, a special purpose trust established under the laws of the Province of Ontario.

"**Issuer Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts"*.

"**Issuer Funding Obligation**" means Funding Obligations of the Issuer.

"**Issuer Trustee**" means Computershare Trust Company of Canada.

"**Junior Subordinated Funding Obligations**" means Funding Obligations arising under, or in connection with, Notes and Borrowings that have been designated as "Junior Subordinated" in the related Funding Obligation Agreement.

"**Junior Subordinated Notes, Series 2017-1**" has the meaning set out under *"Short Term Indebtedness"*.

"**LDCs**" has the meaning set out under *"The Electricity Industry in Ontario"*.

"**Lender**" means any Person providing credit facilities, note purchase facilities or advances under a liquidity agreement, liquidity agreement or credit enhancement agreement, as applicable.

"**Limited Guarantee**" has the meaning set out under *"Change of Law Protection Agreement"*.

"**Management Agreement**" has the meaning set out under *"The Manager"*.

"**Manager**" means OPG, as manager of the Issuer appointed under the Management Agreement.

"**Manitoba Act**" means *The Securities Act* (Manitoba).

"**Master Agreement**" means an agreement in the form of a Master Agreement as published by ISDA or any replacement or substitute or functional equivalent of such agreement.

"**Master Transfer and Servicing Agreement**" means the master transfer and servicing agreement dated as of December 21, 2017 between the Issuer and the IESO, as amended, supplemented, restated or otherwise modified from time to time.

"**Master Trust Indenture**" means the trust indenture dated as of December 21, 2017 between the Issuer, as issuer,

and the Indenture Trustee, as amended, supplemented, restated or otherwise modified from time to time.

"**Material Effect**" has the meaning set out under *"Change of Law Protection Agreement — Suspension Notice & Post-Suspension Refinancings"*.

"**Moody's**" means Moody's Investors Service, Inc. and its successors.

"**Moratorium Period**" has the meaning set out under *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

"**MTSA Acknowledgement**" means the acknowledgement and indemnity agreement dated December 21, 2017 by the IESO in favour of the Indenture Trustee.

"**MW**" means megawatts.

"**NI 31-103**" means National Instrument 31-103 — *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

"**NI 45-106**" means National Instrument 45-106 — *Prospectus Exemptions*.

"**NL Act**" means the *Securities Act* (Newfoundland and Labrador).

"**Non-Investment Grade Rated Electricity Vendor**" has the meaning set out under *"The Transferor and Servicer"*.

"**Note**" means any note of any Class, Series or Tranche created pursuant to a Supplemental Indentures and authenticated and delivered from time to time under the Master Trust Indenture.

"**Noteholders**" means a Person in whose name a Note is registered in the Note register or the bearer of any Note held in bearer form (including a global note in bearer form), as the case may be.

"**Obligations Secured**" means all present and future debts, expenses and liabilities, direct or indirect, absolute or contingent, due, owing or accruing due or owing from time to time by the Issuer to the Specified Creditors in their capacity as such. For greater certainty, amounts owing to any Specified Creditors by the Issuer at any time shall include (a) the unpaid face amount of any Notes issued on a discount basis; (b) the principal amount owing at such time, together with the accrued and unpaid interest on interest bearing Notes or Borrowings; (c) accrued fees, whether or not then due and payable; and (d) any evidence of indebtedness issued pursuant to or in respect of an amount owing under a Program Agreement (other than amounts payable by the Issuer to its beneficiaries pursuant to the Declaration of Trust or a promissory note issued by the Issuer to a beneficiary as contemplated in the Declaration of Trust).

"**OEB**" means the Ontario Energy Board.

"**Offering**" means an offering of senior secured notes pursuant to this confidential shelf offering memorandum and the related Term Sheet as described under *"Plan of Distribution"*.

"**Offering Jurisdiction**" means each of the provinces of Canada.

"**OPA**" means Ontario Power Authority.

"**OPG**" means Ontario Power Generation Inc.

"**Ordinary Resolution**" has the meaning set out under *"Capital Markets Platform — Debtholder Approvals and Meetings — Debtholder Meetings"*.

"**Participants**" has the meaning set out under *"Depository Services"*.

"**Paying Agent**" means any Person authorized by the Issuer to pay any Obligations Secured on behalf of the Issuer.

"**Payment Date**" means the 15th day of each calendar month.

"**Person**" means any individual, corporation, limited liability company, unlimited liability company, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or Governmental Authority.

"**Post-Suspension Refinancing**" has the meaning set out under *"Change of Law Protection Agreement — Suspension Notice & Post-Suspension Refinancings"*.

"**Pre-Approved Refinancing**" has the meaning set out under *"Change of Law Protection Agreement — Suspension Notice & Post-Suspension Refinancings"*.

"**Predecessor IESO**" has the meaning set out under *"The Electricity Industry in Ontario — The IESO"*.

"**Primary Obligation**" has the meaning set out under *"Change of Law Protection Agreement — Approved Obligations & Adherence Conditions"*.

"**Principal Accumulation Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Principal Accumulation Account"*.

"**Principal Accumulation Amount**" means, in respect of any Series of Senior Funding Obligations, Subordinated Funding Obligations or Junior Subordinated Funding Obligations and a Payment Date occurring on or after the Principal Accumulation Date for such Series, the amount specified for such Payment Date in the related Funding Obligation Agreement plus any amounts specified in the related Funding Obligation Agreement in respect of prior Payment Dates after the Principal Accumulation Date for such Series which were not deposited to the Principal Accumulation Account; provided that if the Issuer has delivered a refinancing notice in respect of such Series, the Principal Accumulation Amounts in respect of such Series shall be adjusted as provided for in such refinancing notice.

"**Principal Accumulation Date**" means, in respect of any Series of Issuer Funding Obligations, other than Derivative Funding Obligations, the date, if any, specified in the related Funding Obligation Agreement.

"**Principal Payment Date**" means each business day on which principal is due and payable in respect of Senior Funding Obligations, Subordinated Funding Obligations or Junior Subordinated Funding Obligations, as set out in the related Funding Obligation Agreement.

"**Principal Payment Default Date**" has, with respect to any Issuer Funding Obligation, the meaning specified in the related Funding Obligation Agreement.

"**Program Account**" means each of the Collection Account, the Principal Accumulation Account, the Interest Accumulation Account, the Program Cash Reserve Account, the IESO Cash Reserve Account, the Refinancing Account and the Protection Account.

"**Program Agreements**" means the Master Trust Indenture, each Supplemental Indenture, the Declaration of Trust, the Management Agreement, the Master Transfer and Servicing Agreement, the MTSA Acknowledgement, the Indemnity Agreement, each transfer notice delivered under the Master Transfer and Servicing Agreement, any Co-Owner Agreements, the IESO Security Agreement, the Change of Law Protection Agreement, the Notes, any derivative agreements, credit enhancement agreements, liquidity agreements, loan agreements, underwriting agreements, agency agreements or note purchase agreements and all other documents and certificates delivered in connection therewith.

"**Program Cash Reserve Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Program Cash Reserve Account"*.

"**Program Cash Reserve Required Amount**" means (a) on each Payment Date prior to the Payment Date in May, 2021, nil, and (b) on each Payment Date thereafter, an amount equal to 0.50% of the aggregate outstanding principal amount of the Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations after giving effect to all settlements on such Payment Date, or such lesser amount proposed by the Manager that satisfies the Rating Agency Condition.

"**Protection Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Protection Account"*.

"**Protection Event**" has the meaning set out under *"Change of Law Protection Agreement — Protection Event"*.

"**Rating Agency**" means, with respect to any Issuer Funding Obligation, each nationally recognized statistical rating organization or designated rating organization, as specified in the related Funding Obligation Agreement, selected by the Manager to rate such Issuer Funding Obligation.

"**Rating Agency Condition**" has the meaning set out under *"Rating Agency Condition"*.

"**Readjustment amount**" has the meaning ascribed to the term "readjustment amount" in the FHPA.

"**Reference Period**" means:

(a) the period beginning on July 1, 2017 and ending on October 31, 2017; and

(b) during the period beginning on November 1, 2017 and ending on either April 30, 2047 or such later day as may be prescribed by the Regulations

(i) every six-month period following the period mentioned in (a);

(ii) any period shorter than six months, as may be prescribed by the Regulations.

"**Refinancing**" has the meaning ascribed to the term "refinancing" in the FHPA.

"**Refinancing Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Refinancing Account"*.

"**Regulated Price Plan**" or "**RPP**" has the meaning set out under *"The Electricity Industry in Ontario — Electricity Prices.*

"**Regulations**" means the regulations promulgated under the FHPA.

"**Regulatory Asset**" has the meaning set out under *"Ontario's Fair Hydro Plan — Regulatory Asset"*.

"**Required Principal Accumulation Amount (Senior)**" means, in respect of any Principal Payment Date, the aggregate of the Principal Accumulation Amounts in respect of all Senior Funding Obligations for all Payment

Dates up to and including such Principal Payment Date, less all amounts that have been applied to principal repayments of Senior Funding Obligations on or prior to such Principal Payment Date.

"**Required Principal Accumulation Amount (Subordinated)**" means, in respect of any Principal Payment Date, the aggregate of the Principal Accumulation Amounts in respect of all Subordinated Funding Obligations for all Payment Dates up to and including such Principal Payment Date, less all amounts that have been applied to principal repayments of Subordinated Funding Obligations on or prior to such Principal Payment Date.

"**Saskatchewan Act**" means *The Securities Act, 1988* (Saskatchewan).

"**Section 130.1**" means section 130.1 of the *Securities Act* (Ontario).

"**Section 150**" means section 150 of the *Securities Act* (New Brunswick).

"**Securities Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Securities Account"*.

"**Senior Funding Obligation**" means Funding Obligations arising under, or in connection with, Notes and Borrowings that have been designated as "Senior" in the related Funding Obligation Agreement.

"**Senior Notes**" has the meaning set out on the face page of this confidential shelf offering memorandum.

"**Senior Notes, Series 2017-1**" has the meaning set out under *"Short Term Indebtedness"*.

"**Series**" means, with respect to any Class of Issuer Funding Obligations, the Series of the Class specified in the related Funding Obligation Agreement.

"**Series Account**" means each Series Finance Reserve Account and each Series Capital Reserve Account.

"**Series Capital Reserve Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Series Accounts — Series Capital Reserve Account"*.

"**Series Finance Reserve Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Series Accounts — Series Finance Reserve Account"*.

"**Servicer**" means the IESO, as servicer under the Master Transfer and Servicing Agreement.

"**Servicer Default**" means:

(a) any failure by the Servicer to remit to the Collection Account any required remittance that shall continue unremedied for a period of three business days after written notice of such failure is received by the Servicer from the Issuer or after discovery of such failure by a responsible officer of the Servicer;

(b) any failure on the part of the Servicer or, so long as the Servicer is the IESO, any failure on the part of the IESO, as the case may be, to duly observe or to perform in any respect any covenants or agreements of the Servicer or the IESO, as the case may be, set forth in the Master Transfer and Servicing Agreement or in any other Program Agreement to which it is a party (other than as provided in (a) above), which failure shall (i) materially and adversely affect the rights of the Specified Creditors and (ii) continue unremedied for a period of 30 days after the date on which (A) written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer or the IESO, as the case may be, by the Issuer or (B) such failure is discovered by a responsible officer of the Servicer;

(c) any representation or warranty made by the Servicer in the Master Transfer and Servicing Agreement, any other Program Agreement to which it is a party, any transfer notice or any monthly servicer report shall prove to have been incorrect when made, which has a material adverse effect on the Issuer and which remains unremedied

for a period of 30 days after the date on which (i) written notice thereof, requiring the same to be remedied, shall have been delivered to the Servicer by the Issuer or (ii) such failure is discovered by a responsible officer of the Servicer;

(d) an insolvency event occurs with respect to the Servicer or the IESO; or

(e) any additional "Servicer Default" as specified in any Co-Owner Agreement occurs.

"**Specified Claims**" has the meaning set out under *"Change of Law Protection Agreement"*.

"**Specified Consumer**" has the meaning set out under *"Ontario's Fair Hydro Plan — Background"*.

"**Specified Creditors**" means, collectively, Noteholders, Lenders, the Paying Agent, the Indenture Trustee, the Issuer Trustee, the Manager, the Servicer, the Province of Ontario, Derivative Counterparties, credit enhancers, Rating Agencies and counterparties to underwriting agreements, agency agreements or note purchase agreements, in each case, to the extent of their claims related to Program Agreements, and any other Person that is owed a payment obligation by the Issuer that gives rise to a Finance Amount in respect of the Issuer.

"**Subordinated Funding Obligations**" means Funding Obligations arising under, or in connection with, Notes and Borrowings that have been designated as "Subordinated" in the related Funding Obligation Agreement.

"**Subordinated Notes, Series 2017-1**" has the meaning set out under *"Short Term Indebtedness"*.

"**Subrogation Amount**" has the meaning set out under *"Change of Law Protection Agreement — Protection Event"*.

"**Supplemental Indenture**" means a supplemental indenture to the Master Trust Indenture between the Issuer and the Indenture Trustee.

"**Suspension Event**" has the meaning set out under *"Change of Law Protection Agreement — Suspension Notice & Post-Suspension Refinancings"*.

"**Suspension Notice**" has the meaning set out under *"Change of Law Protection Agreement — Suspension Notice & Post-Suspension Refinancings"*.

"**Term Sheet**" has the meaning set out on the face page of this confidential shelf offering memorandum.

"**Terms Document**" means, with respect to any Tranche of Notes, a supplement to the related Supplemental Indenture.

"**Tranche**" means, with respect to any Series of Notes, Notes of such Series which have identical terms, conditions and Tranche designation. Notes of a single Tranche may be issued on different dates.

"**True-up Amount**" has the meaning set out under *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

"**Unitholders**" means FHP2017 Inc., a wholly-owned subsidiary of OPG, and the Indenture Trustee.

"**Warehouse Facilities**" has the meaning set out under *"Short Term Indebtedness"*.

"**Warehouse Obligations**" means Senior Funding Obligations incurred pursuant to a Funding Obligation Agreement that provide the Issuer with a revolving facility under which principal amounts can be advanced, repaid and again advanced during a committed revolving period and does not provide any other type of credit facility.

SCHEDULE A – CANADIAN PROVINCIAL SECURITIES REGULATORY AUTHORITIES

Alberta Securities Commission
Suite 600, 250 – 5th Street SW
Calgary, Alberta T2P 0R4
Telephone: (403) 297-6454
Toll free in Canada: 1-877-355-0585
Facsimile: (403) 297-2082
Public official contact regarding indirect collection of information: FOIP Coordinator

British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia V7Y 1L2
Inquiries: (604) 899-6854
Toll free in Canada: 1-800-373-6393
Facsimile: (604) 899-6581
Email: FOI-privacy@bcsc.bc.ca
Public official contact regarding indirect collection of information: FOI Inquiries

The Manitoba Securities Commission
500 – 400 St. Mary Avenue
Winnipeg, Manitoba R3C 4K5
Telephone: (204) 945-2561
Toll free in Manitoba 1-800-655-5244
Facsimile: (204) 945-0330
Public official contact regarding indirect collection of information: Director

Financial and Consumer Services Commission (New Brunswick)
85 Charlotte Street, Suite 300
Saint John, New Brunswick E2L 2J2
Telephone: (506) 658-3060
Toll free in Canada: 1-866-933-2222
Facsimile: (506) 658-3059
Email: info@fcnb.ca
Public official contact regarding indirect collection of information: Chief Executive Officer and Privacy Officer

Government of Newfoundland and Labrador Financial Services Regulation Division
P.O. Box 8700
Confederation Building
2nd Floor, West Block
Prince Philip Drive
St. John's, Newfoundland and Labrador A1B 4J6
Attention: Director of Securities
Telephone: (709) 729-4189
Facsimile: (709) 729-6187
Public official contact regarding indirect collection of

Nova Scotia Securities Commission
Suite 400, 5251 Duke Street
Duke Tower
P.O. Box 458
Halifax, Nova Scotia B3J 2P8
Telephone: (902) 424-7768
Facsimile: (902) 424-4625
Public official contact regarding indirect collection of information: Executive Director

Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, Ontario M5H 3S8
Telephone: (416) 593-8314
Toll free in Canada: 1-877-785-1555
Facsimile: (416) 593-8122
Email: exemptmarketfilings@osc.gov.on.ca
Public official contact regarding indirect collection of information: Inquiries Officer

Prince Edward Island Securities Office
95 Rochford Street, 4th Floor Shaw Building
P.O. Box 2000
Charlottetown, Prince Edward Island C1A 7N8
Telephone: (902) 368-4569
Facsimile: (902) 368-5283
Public official contact regarding indirect collection of information: Superintendent of Securities

Autorité des marchés financiers
800, Square Victoria, 22e étage
C.P. 246, Tour de la Bourse
Montréal, Québec H4Z 1G3
Telephone: (514) 395-0337 or 1-877-525-0337
Facsimile: (514) 873-6155 (For filing purposes only)
Facsimile: (514) 864-6381 (For privacy requests only)
Email: financementdessocietes@lautorite.qc.ca (For corporate finance issuers)
Public official contact regarding indirect collection of information: Corporate Secretary

Financial and Consumer Affairs Authority of Saskatchewan
Suite 601 - 1919 Saskatchewan Drive
Regina, Saskatchewan S4P 4H2
Telephone: (306) 787-5842
Facsimile: (306) 787-5899
Public official contact regarding indirect collection of information: Director

information: Superintendent of Securities

EXHIBIT 1

INVESTOR PRESENTATION

(See attached.)

Document comparison by Workshare Compare on Monday, January 08, 2018 8:40:27 PM

Input:	
Document 1 ID	PowerDocs://TOR_2528/23287504/1
Description	TOR_2528-#23287504-v1-Fair_Hydro_OM_-_Blakes_Comments
Document 2 ID	PowerDocs://TOR_2528/23287504/2
Description	TOR_2528-#23287504-v2-Fair_Hydro_OM_-_Blakes_Comments
Rendering set	standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	343
Deletions	154
Moved from	6
Moved to	6
Style change	0
Format changed	0
Total changes	509

From:	John Kim
To:	Ronald Kwan
Subject:	FW: Draft Fair Hydro Investor Presentation.
Date:	Wednesday, January 03, 2018 3:13:07 PM
Attachments:	Fair Hydro Investor Presentation Comments - ENERGY - 20171229_Additions_v07Clean.docx

So sorry Ron….must be my remaining jetlag. I forgot to copy you!

John

From: John Kim
Sent: Wednesday, January 03, 2018 2:44 PM
To: LEE John -TREASURY <john.s.lee@opg.com>; 'LAURETA LAPIRA May -FIN & C CTRL' <may.lapira@opg.com>; 'lubna.ladak@opg.com' <lubna.ladak@opg.com>; 'RYFA Ken -TREASURY' <ken.ryfa@opg.com>; 'Talwar, Shruti (ENERGY)' <Shruti.Talwar@ontario.ca>; 'j.hahnparker@opg.com' <j.hahnparker@opg.com>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: FW: Draft Fair Hydro Investor Presentation.

Hi,

Pls. see attached with our suggested comment additions in red. We are still waiting for comments from MOF Legal, if any.

Thanks,

John

Begin forwarded message:

> **From:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Date:** January 3, 2018 at 10:25:21 AM EST
> **To:** John LEE <john.s.lee@opg.com>
> **Cc:** Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>, LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>, LADAK Lubna -TREASURY <lubna.ladak@opg.com>, RYFA Ken -TREASURY <ken.ryfa@opg.com>, "Shruti.Talwar@ontario.ca" <Shruti.Talwar@ontario.ca>, HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>, "Tim Christie (ENERGY)" <Tim.Christie@ontario.ca>, Mike Manning <Mike.Manning@ofina.on.ca>
> **Subject: Re: Draft Fair Hydro Investor Presentation.**
>
> Hi,
>
> And we'll have a couple comments as well, and we looped in MOF Legal to take a quick look too.

Thanks,
Ron

On Jan 3, 2018, at 10:15 AM, Mike Manning <Mike.Manning@ofina.on.ca> wrote:

> Hi John:
> I think Ken caught the main issues on my side as well.
>
> Mike
>
> ---
>
> **From:** Ken Kandeepan
> **Sent:** Wednesday, January 03, 2018 10:00 AM
> **To:** 'LEE John -TREASURY' <john.s.lee@opg.com>
> **Cc:** Mike Manning <Mike.Manning@ofina.on.ca>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Shruti.Talwar@ontario.ca; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Subject:** RE: Draft Fair Hydro Investor Presentation.
>
> Hi John
>
> Happy new year, hope you had a few days off. Pls see some minor comments, I have limited my review to the Province's role in the OFHP. Mike may have others.
>
> - Page 15 – last bullet; the $2 billion credit facility has been extended from the OFA, not the OEFC
> - Page 25 - Change of law Process Agreement; I would add that the PAM is set and updated by the Financing Plan.
>
> Thanks
>
> Ken k
>
> ---
>
> **From:** LEE John -TREASURY [mailto:john.s.lee@opg.com]
> **Sent:** Thursday, December 21, 2017 5:33 PM
> **To:** Tim Christie (ENERGY) <Tim.Christie@ontario.ca>
> **Cc:** Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Shruti.Talwar@ontario.ca; HAHN PARKER Janet -TREASURY

<j.hahnparker@opg.com>
Subject: Draft Fair Hydro Investor Presentation.

Tim:

As discussed attached is the most current draft of the Investor Presentation. If you or the MOE or OFA have any comments please let us know.

The plan is to have another turn of the document in the 1st week in January. May will have the "pen" from our side.

Have a Merry Christmas.

John

John Lee | Vice President Treasurer |
Ontario Power Generation | 700 University Avenue, H18 A6, Toronto, Ontario M5G 1X6 |
416.592.6392 | john.s.lee@opg.com

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

Fair Hydro Investor Presentation Comments

Slide #	Reference	Comment
Slide 4	Images	Consider removing the nuclear and large hydro images as the plan only covers costs form renewables procurements, gas and conservation.
Slide 6	First bullet	Suggest using "proxy consumer" instead of "average" in this context, which would be more accurate and consistent with legislation as covered later in the presentation.
Slide 6	Second bullet	Suggest changing "8% rebate in the provincial portion…" to " 8% rebate equivalent to the provincial portion…".
Slide 6	Third bullet	Language suggest that bills will increase back to status quo in 2021 – suggest adding language regarding increases back up to and past the status quo over time.
Slide 7	First bullet	Consider replacing the phrase starting from "in an amount…" with "in such an amount that the total OPG-held subordinated debt does not exceed 49% of all outstanding debt", for clarity.
Slide 11	First bullet	Suggest rewording to the following: "As part of the restructuring of Ontario's electricity industry under the Energy Competition Act, 1998, the municipal electricity utilities became municipally-owned business corporations, including local distribution companies ("LDCs")." – Some LDCs continue to be municipally-owned, while others have been sold to or acquired by Hydro One or private-sector owners."
Slide 14	Second bullet	Consider replacing "previously established regulated rate" with "regulated rate established in the first year of the Rate Reduction Period".
Slide 14	Last bullet	Similar to comment on Slide 6 above, suggest referencing increases back up to and beyond status quo over time.
Slide 15	Third bullet	Consider adding in the words "in favour of the Trust" at the end of the bullet [IESO Security Agreement]. Also, the $2 billion credit facility is provided by the Ontario Financing Authority, not the OEFC.
Slide 15	Last bullet	Also, consider rewording so as not to suggest that the $2 billion facility is solely for "carrying costs". Also, suggest that the last clause on security be a stand-alone bullet, not part of the OFA credit facility bullet.
Slide 16	Second bullet	Consider rephrasing to align better with the offering memorandum and legislation.
Slide 16	Third bullet	Consider adding in the word "mainly" before "in respect of …" [see O.Reg. 206/17 section 5].
Slide 16	Bill image	Consider removing as text description should be sufficient.
Slide 17	Second bullet	Consider replacing the words "dealt with" with "mitigated" to avoid suggesting that the risk is eliminated.

Slide 17	Number 2 in the process chart	Consider adding in the word “amount” at the end [O.Reg. 206/17 section 8(2)].
Slide 17	Number 6 in the process chart	Consider replacing the words “in a trust” with “in trust” [FHPA section 16(3)].
Slide 18	Chart	Consider adding explanation of readjustment amount.
Slide 20	OEB’s relationship with OPG in the diagram	Consider replacing “review of OPG Fees” with “review and approval of OPG Fees” to better align with the language in O. Reg. 206/17. Consider replacing “Management Agreement” with “Regulation”.
Slide 20	IESO’s relationship with the Fair Hydro Trust	Note that the Acknowledgement and Indemnity Agreement is made to the Indenture Trustee. Consider editing to avoid confusion.
Slide 20	Ontario Caption	Suggest just having “Province of Ontario” (i.e., omit “(Ministry of Energy)”)
Slide 21	"Suspension Notice"	May wish to consider noting in the sentence that post-suspension refinancing is covered by the guarantee. As this was something Torys made a point of including in the agreement for financeability, suggest including for investors.
Slide 23	Key Terms – Moratorium Period (bullet 3)	Consider replacing “(until May 1, 2021)” to “(until April 30, 2021) and up to July 31, 2021” [see section 21(4) of FHPA and section 9.1 of O. Reg. 206/17]. Consider removing “which will be offered, as regulatory assets, for transfer to the Trust in a subsequent period”, since this is not expressly provided in the MTSA [also see section 16 of O. Reg. 206/17].
Slide 28	Third bullet	Consider replacing “fit under the fair allocation curve” with “ensure reasonable alignment with fair allocation amounts”. [see paragraph 1 of section 21(3) of FHPA].
Slide 31	Chart	The post-FHP bill should not follow the status quo trajectory between 2025 and 2028 – bill should be above status quo including rebates as the FAA is positive for those years (Fair Adjustment would be used to offset the majority of the CEA but the amount of the FAA would remain).
Slide 36	First bullet	Consider removing references to “statutorily mandated”. Remittances from IESO are mandated under s. 9.1 of O. Reg. 206/17.
Slide 38	Political Risk	Consider reviewing the characterization of the risk to align with the risk as described in the Agreements.
Slide 38	Third bullet	Please note reference to ability to disconnect service for non-payment by LDCs isn’t fully reflective of the requirement, consider revising to be more reflective of the actual mechanism.

From:	John Kim
To:	LEE John -TREASURY; "LAURETA LAPIRA May -FIN & C CTRL"; "lubna.ladak@opg.com"; "RYFA Ken -TREASURY"; "Talwar, Shruti (ENERGY)"; "j.hahnparker@opg.com"; Tim Christie (ENERGY); Mike Manning; Ken Kandeepan
Subject:	FW: Draft Fair Hydro Investor Presentation.
Date:	Wednesday, January 03, 2018 2:43:31 PM
Attachments:	Fair Hydro Investor Presentation Comments - ENERGY - 20171229_Additions_v07Clean.docx

Hi,

Pls. see attached with our suggested comment additions in red. We are still waiting for comments from MOF Legal, if any.

Thanks,

John

Begin forwarded message:

> **From:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Date:** January 3, 2018 at 10:25:21 AM EST
> **To:** John LEE <john.s.lee@opg.com>
> **Cc:** Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>, LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>, LADAK Lubna -TREASURY <lubna.ladak@opg.com>, RYFA Ken -TREASURY <ken.ryfa@opg.com>, "Shruti.Talwar@ontario.ca" <Shruti.Talwar@ontario.ca>, HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>, "Tim Christie (ENERGY)" <Tim.Christie@ontario.ca>, Mike Manning <Mike.Manning@ofina.on.ca>
> **Subject: Re: Draft Fair Hydro Investor Presentation.**
>
> Hi,
>
> And we'll have a couple comments as well, and we looped in MOF Legal to take a quick look too.
>
> Thanks,
> Ron
>
> On Jan 3, 2018, at 10:15 AM, Mike Manning <Mike.Manning@ofina.on.ca> wrote:
>
> > Hi John:
> > I think Ken caught the main issues on my side as well.
> >
> > Mike
> >
> > ---
> >
> > **From:** Ken Kandeepan
> > **Sent:** Wednesday, January 03, 2018 10:00 AM

To: 'LEE John -TREASURY' <john.s.lee@opg.com>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Shruti.Talwar@ontario.ca; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: Draft Fair Hydro Investor Presentation.

Hi John

Happy new year, hope you had a few days off. Pls see some minor comments, I have limited my review to the Province's role in the OFHP. Mike may have others.

- Page 15 – last bullet; the $2 billion credit facility has been extended from the OFA, not the OEFC
- Page 25 - Change of law Process Agreement; I would add that the PAM is set and updated by the Financing Plan.

Thanks

Ken k

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: Thursday, December 21, 2017 5:33 PM
To: Tim Christie (ENERGY) <Tim.Christie@ontario.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Shruti.Talwar@ontario.ca; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>
Subject: Draft Fair Hydro Investor Presentation.

Tim:

As discussed attached is the most current draft of the Investor Presentation. If you or the MOE or OFA have any comments please let us know.
The plan is to have another turn of the document in the 1st week in January. May will have the "pen" from our side.

Have a Merry Christmas.

John

John Lee | Vice President Treasurer |
Ontario Power Generation | 700 University Avenue, H18 A6, Toronto, Ontario M5G 1X6 |
416.592.6392 | john.s.lee@opg.com

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

Fair Hydro Investor Presentation Comments

Slide #	Reference	Comment
Slide 4	Images	Consider removing the nuclear and large hydro images as the plan only covers costs form renewables procurements, gas and conservation.
Slide 6	First bullet	Suggest using "proxy consumer" instead of "average" in this context, which would be more accurate and consistent with legislation as covered later in the presentation.
Slide 6	Second bullet	Suggest changing "8% rebate in the provincial portion…" to " 8% rebate equivalent to the provincial portion…".
Slide 6	Third bullet	Language suggest that bills will increase back to status quo in 2021 – suggest adding language regarding increases back up to and past the status quo over time.
Slide 7	First bullet	Consider replacing the phrase starting from "in an amount…" with "in such an amount that the total OPG-held subordinated debt does not exceed 49% of all outstanding debt", for clarity.
Slide 11	First bullet	Suggest rewording to the following: "As part of the restructuring of Ontario's electricity industry under the Energy Competition Act, 1998, the municipal electricity utilities became municipally-owned business corporations, including local distribution companies ("LDCs")." – Some LDCs continue to be municipally-owned, while others have been sold to or acquired by Hydro One or private-sector owners."
Slide 14	Second bullet	Consider replacing "previously established regulated rate" with "regulated rate established in the first year of the Rate Reduction Period".
Slide 14	Last bullet	Similar to comment on Slide 6 above, suggest referencing increases back up to and beyond status quo over time.
Slide 15	Third bullet	Consider adding in the words "in favour of the Trust" at the end of the bullet [IESO Security Agreement]. Also, the $2 billion credit facility is provided by the Ontario Financing Authority, not the OEFC.
Slide 15	Last bullet	Also, consider rewording so as not to suggest that the $2 billion facility is solely for "carrying costs". Also, suggest that the last clause on security be a stand-alone bullet, not part of the OFA credit facility bullet.
Slide 16	Second bullet	Consider rephrasing to align better with the offering memorandum and legislation.
Slide 16	Third bullet	Consider adding in the word "mainly" before "in respect of …" [see O.Reg. 206/17 section 5].
Slide 16	Bill image	Consider removing as text description should be sufficient.
Slide 17	Second bullet	Consider replacing the words "dealt with" with "mitigated" to avoid suggesting that the risk is eliminated.

Slide 17	Number 2 in the process chart	Consider adding in the word “amount” at the end [O.Reg. 206/17 section 8(2)].
Slide 17	Number 6 in the process chart	Consider replacing the words “in a trust” with “in trust” [FHPA section 16(3)].
Slide 18	Chart	Consider adding explanation of readjustment amount.
Slide 20	OEB’s relationship with OPG in the diagram	Consider replacing “review of OPG Fees” with “review and approval of OPG Fees” to better align with the language in O. Reg. 206/17. Consider replacing “Management Agreement” with “Regulation”.
Slide 20	IESO’s relationship with the Fair Hydro Trust	Note that the Acknowledgement and Indemnity Agreement is made to the Indenture Trustee. Consider editing to avoid confusion.
Slide 20	Ontario Caption	Suggest just having “Province of Ontario” (i.e., omit “(Ministry of Energy)”)
Slide 21	"Suspension Notice"	May wish to consider noting in the sentence that post-suspension refinancing is covered by the guarantee. As this was something Torys made a point of including in the agreement for financeability, suggest including for investors.
Slide 23	Key Terms – Moratorium Period (bullet 3)	Consider replacing “(until May 1, 2021)” to “(until April 30, 2021) and up to July 31, 2021” [see section 21(4) of FHPA and section 9.1 of O. Reg. 206/17]. Consider removing “which will be offered, as regulatory assets, for transfer to the Trust in a subsequent period”, since this is not expressly provided in the MTSA [also see section 16 of O. Reg. 206/17].
Slide 28	Third bullet	Consider replacing “fit under the fair allocation curve” with “ensure reasonable alignment with fair allocation amounts”. [see paragraph 1 of section 21(3) of FHPA].
Slide 31	Chart	The post-FHP bill should not follow the status quo trajectory between 2025 and 2028 – bill should be above status quo including rebates as the FAA is positive for those years (Fair Adjustment would be used to offset the majority of the CEA but the amount of the FAA would remain).
Slide 36	First bullet	Consider removing references to “statutorily mandated”. Remittances from IESO are mandated under s. 9.1 of O. Reg. 206/17.
Slide 38	Political Risk	Consider reviewing the characterization of the risk to align with the risk as described in the Agreements.
Slide 38	Third bullet	Please note reference to ability to disconnect service for non-payment by LDCs isn’t fully reflective of the requirement, consider revising to be more reflective of the actual mechanism.

From:	John Kim
To:	Shajee Kathirgamanathan; Gavin He
Cc:	Bruno Amara
Subject:	FW: Draft Fair Hydro Investor Presentation.
Date:	Wednesday, January 03, 2018 7:25:10 AM
Attachments:	Fair Hydro Investor Presentation Comments - ENERGY - 20171229_Additions.docx

Hi Shajee, Gavin,

Pls. take a look.

John

From: Ronald Kwan
Sent: Wednesday, January 03, 2018 2:29 AM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Draft Fair Hydro Investor Presentation.

Hi,

I had a quick look and added a bit to Energy's table as a start.

Ron

From: Ronald Kwan
Sent: January-02-18 11:18 PM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: FW: Draft Fair Hydro Investor Presentation.

Hi,

FYI on Energy's comments.

Ron

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: January-02-18 3:39 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: Draft Fair Hydro Investor Presentation.

Ron, here are the comments we have sent on the presentation. Do you know when/if Finance will be sending theirs? OPG was asking.

Tim

From: Christie, Tim (ENERGY)

Sent: January-02-18 3:39 PM
To: 'LEE John -TREASURY'
Cc: Cayley, Daniel (ENERGY); 'LAURETA LAPIRA May -TREASURY'
Subject: RE: Draft Fair Hydro Investor Presentation.

With the attachment.

From: Christie, Tim (ENERGY)
Sent: January-02-18 3:38 PM
To: 'LEE John -TREASURY'
Cc: Cayley, Daniel (ENERGY); LAURETA LAPIRA May -TREASURY
Subject: RE: Draft Fair Hydro Investor Presentation.

John, here are the comments on the investor presentation.

Tim

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: December-21-17 5:33 PM
To: Christie, Tim (ENERGY)
Cc: Manning, Mike (OFA); Kandeepan, Ken (OFA); LAURETA LAPIRA May -TREASURY; LADAK Lubna -TREASURY; RYFA Ken -TREASURY; Talwar, Shruti (ENERGY); HAHN PARKER Janet -TREASURY
Subject: Draft Fair Hydro Investor Presentation.

Tim:

As discussed attached is the most current draft of the Investor Presentation. If you or the MOE or OFA have any comments please let us know.

The plan is to have another turn of the document in the 1st week in January. May will have the "pen" from our side.

Have a Merry Christmas.

John

John Lee | Vice President Treasurer |
Ontario Power Generation | 700 University Avenue, H18 A6, Toronto, Ontario M5G 1X6 |
416.592.6392 | john.s.lee@opg.com

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you

are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

Fair Hydro Investor Presentation Comments

Slide #	Reference	Comment
Slide 4	Images	Consider removing the nuclear and large hydro images as the plan only covers costs form renewables procurements, gas and conservation.
Slide 6	First bullet	Suggest using "proxy consumer" instead of "average" in this context, which would be more accurate and consistent with legislation as covered later in the presentation.
Slide 6	Second bullet	Suggest changing “8% rebate in the provincial portion…” to “ 8% rebate equivalent to the provincial portion…”.
Slide 6	Third bullet	Language suggest that bills will increase back to status quo in 2021 – suggest adding language regarding increases back up to and past the status quo over time.
Slide 7	First bullet	Consider replacing the phrase starting from “in an amount…” with “in such an amount that the total OPG-held subordinated debt does not exceed 49% of all outstanding debt”, for clarity.
Slide 11	First bullet	Suggest rewording to the following: “As part of the restructuring of Ontario’s electricity industry under the Energy Competition Act, 1998, the municipal electricity utilities became municipally-owned business corporations, including local distribution companies (“LDCs”).” – Some LDCs continue to be municipally-owned, while others have been sold to or acquired by Hydro One or private-sector owners.”
Slide 14	Second bullet	Consider replacing “previously established regulated rate” with “regulated rate established in the first year of the Rate Reduction Period”.
Slide 14	Last bullet	Similar to comment on Slide 6 above, suggest referencing increases back up to and beyond status quo over time.
Slide 15	Third bullet	Consider adding in the words “in favour of the Trust” at the end of the bullet [IESO Security Agreement]. Also, can we clarify whether the $2 billion credit facility is provided by the OFA or the OEFC? Who is the actual lender?
Slide 15	Last bullet	It’s “Ontario Electricity Financial Corporation” (i.e., not “Financing”). Also, consider rewording so as not to suggest that the $2 billion facility is solely for “carrying costs”. Also, suggest that the last clause on security be a stand-alone bullet, not part of the OEF credit facility bullet.
Slide 16	Second bullet	Consider rephrasing to align better with the offering memorandum and legislation.
Slide 16	Third bullet	Consider adding in the word “mainly” before “in respect of …” [see O.Reg. 206/17 section 5].
Slide 16	Bill image	Consider removing as text description should be sufficient.
Slide 17	Second bullet	Consider replacing the words “dealt with” with “mitigated” to avoid suggesting that the risk is eliminated.

Slide 17	Number 2 in the process chart	Consider adding in the word “amount” at the end [O.Reg. 206/17 section 8(2)].
Slide 17	Number 6 in the process chart	Consider replacing the words “in a trust” with “in trust” [FHPA section 16(3)].
Slide 18	Chart	Consider adding explanation of readjustment amount.
Slide 20	OEB’s relationship with OPG in the diagram	Consider replacing “review of OPG Fees” with “review and approval of OPG Fees” to better align with the language in O. Reg. 206/17. Consider replacing “Management Agreement” with “Regulation”.
Slide 20	IESO’s relationship with the Fair Hydro Trust	Note that the Acknowledgement and Indemnity Agreement is made to the Indenture Trustee. Consider editing to avoid confusion.
Slide 20	Ontario Caption	Suggest just having “Province of Ontario” (i.e., omit “(Ministry of Energy)”)
Slide 21	"Suspension Notice"	May wish to consider noting in the sentence that post-suspension refinancing is covered by the guarantee. As this was something Torys made a point of including in the agreement for financeability, suggest including for investors.
Slide 23	Key Terms – Moratorium Period (bullet 3)	Consider replacing “(until May 1, 2021)” to “(until April 30, 2021) and up to July 31, 2021” [see section 21(4) of FHPA and section 9.1 of O. Reg. 206/17]. Consider removing “which will be offered, as regulatory assets, for transfer to the Trust in a subsequent period”, since this is not expressly provided in the MTSA [also see section 16 of O. Reg. 206/17].
Slide 28	Third bullet	Consider replacing “fit under the fair allocation curve” with “ensure reasonable alignment with fair allocation amounts”. [see paragraph 1 of section 21(3) of FHPA].
Slide 31	Chart	The post-FHP bill should not follow the status quo trajectory between 2025 and 2028 – bill should be above status quo including rebates as the FAA is positive for those years (Fair Adjustment would be used to offset the majority of the CEA but the amount of the FAA would remain).
Slide 36	First bullet	Consider removing references to “statutorily mandated”. Remittances from IESO are mandated under s. 9.1 of O. Reg. 206/17.
Slide 38	Political Risk	Consider reviewing the characterization of the risk to align with the risk as described in the Agreements.
Slide 38	Third bullet	Please note reference to ability to disconnect service for non-payment by LDCs isn’t fully reflective of the requirement, consider revising to be more reflective of the actual mechanism.

From:	John Kim
To:	Gavin He
Subject:	FW: Draft Fair Hydro Investor Presentation.
Date:	Wednesday, January 03, 2018 4:16:15 PM
Attachments:	Fair Hydro Investor Presentation Comments - ENERGY - 20171229_Additions.docx ATT00001.htm Fair Hydro Investor Presentation Comments - ENERGY - 20171229_Additions_v07Clean_MOFLSB.docx

Hi Gavin,

Could you consolidate to this version? I will come by and explain

Thanks,

John

From: Ronald Kwan
Sent: Wednesday, January 03, 2018 4:00 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Fwd: Draft Fair Hydro Investor Presentation.

Hi John,

Please review and consolidate comments.

Thanks,
Ron

Begin forwarded message:

> **From:** "Whitfield, Tobias P. (MOF)" <Tobias.Whitfield@ontario.ca>
> **Date:** January 3, 2018 at 3:46:58 PM EST
> **To:** "Kwan, Ronald (OFA)" <Ronald.Kwan@ofina.on.ca>, "Hanslep, Malle (MOF)" <Malle.Hanslep@ontario.ca>
> **Cc:** "Kandeepan, Ken (OFA)" <Ken.Kandeepan@ofina.on.ca>, "Manning, Mike (OFA)" <Mike.Manning@ofina.on.ca>
> **Subject: RE: Draft Fair Hydro Investor Presentation.**
>
> Ron,
>
> Please find attached our comments on the investor presentation deck. We have added our comments in track changes to the word document with the other comments.
>
> Mike and Ken, we are also wondering if you have heard anything new about the timing of the term deal and whether there are any documents that have been circulated that we can start to look at.
>
> Best

Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: January 3, 2018 2:28 AM
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF)
Subject: FW: Draft Fair Hydro Investor Presentation.

Hi Malle, Toby,

Apologies for the short notice, if you have not been looped in earlier. I got the attached from Energy yesterday. OPG is looking for comments ASAP. Would you be able to review and provide any comments for EOD Wednesday?

Also attached is Energy's comments on the deck, with a few preliminary additions added in red. Mike and Ken are also reviewing and said they'd provide comments on Wednesday.

Thanks, and a Happy New Year to you both.

Ron

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: January-02-18 11:39 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: Draft Fair Hydro Investor Presentation.

Hi Ron, here's the presentation. They're looking for comments this week.

Tim

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: December-21-17 5:33 PM
To: Christie, Tim (ENERGY)
Cc: Manning, Mike (OFA); Kandeepan, Ken (OFA); LAURETA LAPIRA May -TREASURY; LADAK Lubna -TREASURY; RYFA Ken -TREASURY; Talwar, Shruti (ENERGY); HAHN PARKER Janet -TREASURY
Subject: Draft Fair Hydro Investor Presentation.

Tim:

As discussed attached is the most current draft of the Investor Presentation. If you or the MOE or OFA have any comments please let us know.

The plan is to have another turn of the document in the 1st week in January. May will have the "pen" from our side.

Have a Merry Christmas.

John

John Lee | Vice President Treasurer |
Ontario Power Generation | 700 University Avenue, H18 A6, Toronto, Ontario M5G 1X6 | 416.592.6392 | john.s.lee@opg.com

---

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

Fair Hydro Investor Presentation Comments

Slide #	Reference	Comment
Disclaimers	Last par.	How will this presentation be used, and is it in conjunction with the offering memorandum?
Slide 4	Images	Consider removing the nuclear and large hydro images as the plan only covers costs fro~~r~~m renewables procurements, gas and conservation. [MOF LSB: Can we confirm whether this is true?]
Slide 6	First bullet	Suggest using "proxy consumer" instead of "average" in this context, which would be more accurate and consistent with legislation as covered later in the presentation.[MOF LSB: Where is Proxy Consumer explained? I am not sure what it means.]
Slide 6	Second bullet	Suggest changing "8% rebate in the provincial portion…" to " 8% rebate equivalent to the provincial portion…".
Slide 6	Third bullet	Language suggest that bills will increase back to status quo in 2021 – suggest adding language regarding increases back up to and past the status quo over time.
Slide 7	First bullet	Consider replacing the phrase starting from "in an amount…" with "in such an amount that the total OPG-held subordinated debt does not exceed 49% of all outstanding debt", for clarity.
Slide 11	First bullet	Suggest rewording to the following: "As part of the restructuring of Ontario's electricity industry under the Energy Competition Act, 1998, the municipal electricity utilities became municipally-owned business corporations, including local distribution companies ("LDCs")." – Some LDCs continue to be municipally-owned, while others have been sold to or acquired by Hydro One or private-sector owners."
Slide 14	Second bullet	Consider replacing "previously established regulated rate" with "regulated rate established in the first year of the Rate Reduction Period".
Slide 14	Last bullet	Similar to comment on Slide 6 above, suggest referencing increases back up to and beyond status quo beyond the moratorium period~~over time~~.
Slide 15	Third bullet of Moratorium Period section	Consider adding in the words "in favour of the Trust" at the end of the bullet [IESO Security Agreement]. Also, can we clarify whether the $2 billion credit facility is provided by the OFA or the OEFC? Who is the actual lender? [MOF LSB: Our understanding is that this credit facility comes from the OFA, not the OEFC.
Slide 15	Last bullet	It's "Ontario Electricity Financial Corporation" (i.e., not "Financing"). [MOF LSB: But likely the reference to the OEFC should be deleted in any event since the credit facility comes from the OFA, as far as we understand it.] Also, consider rewording so as not to suggest that the $2 billion facility is solely for "carrying costs".

		Also, suggest that the last clause on security be a stand-alone bullet, not part of the OEF credit facility bullet, and should come before the other part of this bullet (ie, become the third bullet of this section).
Slide 16	Second bullet	Consider rephrasing to align better with the offering memorandum and legislation.
Slide 16	Third bullet	Consider adding in the word "mainly" before "in respect of …" [see O.Reg. 206/17 section 5]. [MOF LSB: This is a defined term in the Act.]
Slide 16	Bill image	Consider removing as text description should be sufficient.
Slide 17	Second bullet	Consider replacing the words "dealt with" with "mitigated" to avoid suggesting that the risk is eliminated.
Slide 17	Number 2 in the process chart	Consider adding in the word "amount" at the end [O.Reg. 206/17 section 8(2)].
Slide 17	Number 6 in the process chart	Consider replacing the words "in a trust" with "in trust" [FHPA section 16(3)].
Slide 18	Chart	Consider adding explanation of readjustment amount.
Slide 20	Chart	Should the Province's indemnity to OPG [& IESO] be referred to here? Also consider whether Management Agreement should be included?
Slide 20	OEB's relationship with OPG in the diagram	Consider replacing "review of OPG Fees" with "review and approval of OPG Fees" to better align with the language in O. Reg. 206/17. Consider replacing "Management Agreement" with "Regulation".
Slide 20	IESO's relationship with the Fair Hydro Trust	Note that the Acknowledgement and Indemnity Agreement is made to the Indenture Trustee. Consider editing to avoid confusion.
Slide 20	Ontario Caption	Suggest just having "Province of Ontario" (i.e., omit "(Ministry of Energy)") [MOF LSB: Agree, as MOF is also signatory to some agreements.]
Slide 21	"Suspension Notice"	May wish to consider noting in the sentence that post-suspension refinancing is covered by the guarantee. As this was something Torys made a point of including in the agreement for financeability, suggest including for investors.
Below is a track changes on slides 21 and 22		
Change of Law Protection Agreement		
Parties	• Province of Ontario ~~as Obligor~~ and (2) Indenture Trustee as trustee of the FHT, on behalf of Specified Creditors, ~~as Beneficiaries~~ and (3) OPG as Financial Services Manager ("FSM")	
Purpose	• Provides assurance to Specified Creditors ~~investors~~ that upon the occurrence of a Protection Event, the Province of Ontario will ~~have an obligation to make~~ pay~~ments~~ Approved Obligations on behalf of the Trust, with [limited rights of acceleration][NTD: Consider how to phrase	

	acceleration issue].	
Key Terms	• Term: Continues for as long as any obligations of the Trust that are secured under the Master Trust Indenture (MTI) remain outstanding [MOF LSB: Only if such amounts are covered by the Limited Guarantee] • Mandatory Payment: Upon the occurrence of a Protection Event, the Indenture Trustee has the right to require the Province to pay all Approved ~~o~~Obligations when due and payable • Priority of Payments: The priority of payments is governed by the waterfall provision under the MTI • Adherence Conditions: OPG as FSM is required to comply with certain conditions, including the delivery of an Adherence Compliance Certificate, prior to the issuance of debt which is to benefit from C~~c~~hange in ~~l~~Law ~~p~~Protection Agreement from the Province • Suspension Notice: The Province may deliver a suspension notice upon the occurrence of a program breach, a default in performance, or misrepresentation by OPG as FSM, and any new funding ~~after which date~~ funding obligations that are incurred after the date of a suspension notice will not have the benefit of the Change of Law Protection, ~~upon the occurrence of a program breach, a default in performance, or misrepresentation by OPG as FSM~~ [MOF LSB: Should the pre-approved refinancing provisions be referred to here?]	
Protection Events	The occurrence of any of the following events: • The Legislature repeals (and does not replace on an equivalent basis) or amends the FHP Act or any portion thereof as in effect on the date hereof • The Legislature enacts or amends any other statute • The Lieutenant Governor in Council repeals (and does not replace on an equivalent basis) the regulations made under the Act or any portion thereof as in effect on the date hereof • The Lieutenant Governor in Council, a minister of the Crown, an official of the government or a board or commission all the members of which are appointed by the Lieutenant Governor in Council makes or amends any "regulation" (as defined in Part III of the Legislation Act, 2006) as in effect on the date hereof • The implementation of a change in the organization or structure of the IESO or Ontario's electricity market undertaken at the initiative of the Province or an entity controlled by the Province • A court of competent jurisdiction determines that all or a portion of the Act or the regulations made under the Act, is ultra vires or invalid in a way that adversely affects the ability of the Trust to adversely affects the ability of the Financing Entity to receive amounts in respect of its Investment Interest so that it can pay Approved Obligations when due and payable~~pay its obligations~~ in each case that adversely affects the ability of the Trust to pay its obligations when due and payable, taking into account any funds available in reserve accounts, any credit enhancement available and any reasonably expected potential effect of a true-up amount	
Slide 23	Key Terms – Moratorium Period (bullet 3)	Consider replacing "(until May 1, 2021)" to "(until April 30, 2021) and up to July 31, 2021" [see section 21(4) of FHPA and section 9.1 of O.

		Reg. 206/17]. Consider removing "which will be offered, as regulatory assets, for transfer to the Trust in a subsequent period", since this is not expressly provided in the MTSA [also see section 16 of O. Reg. 206/17].
Slide 28	Third bullet	Consider replacing "fit under the fair allocation curve" with "ensure reasonable alignment with fair allocation amounts". [see paragraph 1 of section 21(3) of FHPA].
Slide 31	Chart	The post-FHP bill should not follow the status quo trajectory between 2025 and 2028 – bill should be above status quo including rebates as the FAA is positive for those years (Fair Adjustment would be used to offset the majority of the CEA but the amount of the FAA would remain).
Slide 33	Acceleration Bullet	Should this reference cap in regulation?
Slide 36	First bullet	Consider removing references to "statutorily mandated". Remittances from IESO are mandated under s. 9.1 of O. Reg. 206/17.
Slide 36	Guarantor	Should this refer to a limited guarantee to make relationship clear?
Slide 38	Political Risk	Consider reviewing the characterization of the risk to align with the risk as described in the Agreements.
Slide 38	Third bullet	Please note reference to ability to disconnect service for non-payment by LDCs isn't fully reflective of the requirement, consider revising to be more reflective of the actual mechanism.

Fair Hydro Investor Presentation Comments

Slide #	Reference	Comment
Disclaimers	Last par.	How will this presentation be used, and is it in conjunction with the offering memorandum?
Slide 4	Images	Consider removing the nuclear and large hydro images as the plan only covers costs form renewables procurements, gas and conservation. [MOF LSB: Can we confirm whether this is true?]
Slide 6	First bullet	Suggest using "proxy consumer" instead of "average" in this context, which would be more accurate and consistent with legislation as covered later in the presentation. [MOF LSB: Where is Proxy Consumer explained? I am not sure what it means.]
Slide 6	Second bullet	Suggest changing "8% rebate in the provincial portion…" to " 8% rebate equivalent to the provincial portion…".
Slide 6	Third bullet	Language suggest that bills will increase back to status quo in 2021 – suggest adding language regarding increases back up to and past the status quo over time.
Slide 7	First bullet	Consider replacing the phrase starting from "in an amount…" with "in such an amount that the total OPG-held subordinated debt does not exceed 49% of all outstanding debt", for clarity.
Slide 11	First bullet	Suggest rewording to the following: "As part of the restructuring of Ontario's electricity industry under the Energy Competition Act, 1998, the municipal electricity utilities became municipally-owned business corporations, including local distribution companies ("LDCs")." – Some LDCs continue to be municipally-owned, while others have been sold to or acquired by Hydro One or private-sector owners."
Slide 14	Second bullet	Consider replacing "previously established regulated rate" with "regulated rate established in the first year of the Rate Reduction Period".
Slide 14	Last bullet	Similar to comment on Slide 6 above, suggest referencing increases back up to and beyond status quo ~~over time~~beyond the moratorium period.
Slide 15	Third bullet of Moratorium Period section	Consider adding in the words "in favour of the Trust" at the end of the bullet [IESO Security Agreement]. Also, the $2 billion credit facility is provided by the Ontario Financing Authority, not the OEFC.
Slide 15	Last bullet	Also, consider rewording so as not to suggest that the $2 billion facility is solely for "carrying costs". Also, suggest that the last clause on security be a stand-alone bullet, not part of the OFA credit facility bullet, and should come before the other part of this bullet (i.e. become the third bullet of this section).

Formatted: Font color: Red

Formatted: Font color: Red

Formatted: Font color: Red

Formatted: Font color: Red

Formatted: Font color: Red

Slide 16	Second bullet	Consider rephrasing to align better with the offering memorandum and legislation.
Slide 16	Third bullet	Consider adding in the word "mainly" before "in respect of …" [see O.Reg. 206/17 section 5]. [MOF LSB: This is a defined term in the Act.]
Slide 16	Bill image	Consider removing as text description should be sufficient.
Slide 17	Second bullet	Consider replacing the words "dealt with" with "mitigated" to avoid suggesting that the risk is eliminated.
Slide 17	Number 2 in the process chart	Consider adding in the word "amount" at the end [O.Reg. 206/17 section 8(2)].
Slide 17	Number 6 in the process chart	Consider replacing the words "in a trust" with "in trust" [FHPA section 16(3)].
Slide 18	Chart	Consider adding explanation of readjustment amount.
Slide 20	Chart	Should the Province's indemnity to OPG [& IESO] be referred to here? Also consider whether Management Agreement should be included?
Slide 20	OEB's relationship with OPG in the diagram	Consider replacing "review of OPG Fees" with "review and approval of OPG Fees" to better align with the language in O. Reg. 206/17. Consider replacing "Management Agreement" with "Regulation".
Slide 20	IESO's relationship with the Fair Hydro Trust	Note that the Acknowledgement and Indemnity Agreement is made to the Indenture Trustee. Consider editing to avoid confusion.
Slide 20	Ontario Caption	Suggest just having "Province of Ontario" (i.e., omit "(Ministry of Energy)") [MOF LSB: Agree, as MOF is also signatory to some agreements.]
Slide 21	"Suspension Notice"	May wish to consider noting in the sentence that post-suspension refinancing is covered by the guarantee. As this was something Torys made a point of including in the agreement for financeability, suggest including for investors.
Slide 23	Key Terms – Moratorium Period (bullet 3)	Consider replacing "(until May 1, 2021)" to "(until April 30, 2021) and up to July 31, 2021" [see section 21(4) of FHPA and section 9.1 of O. Reg. 206/17]. Consider removing "which will be offered, as regulatory assets, for transfer to the Trust in a subsequent period", since this is not expressly provided in the MTSA [also see section 16 of O. Reg. 206/17].
Slide 28	Third bullet	Consider replacing "fit under the fair allocation curve" with "ensure reasonable alignment with fair allocation amounts". [see paragraph 1 of section 21(3) of FHPA].

Formatted: Font color: Red

Formatted: Font color: Red

Slide 31	Chart	The post-FHP bill should not follow the status quo trajectory between 2025 and 2028 – bill should be above status quo including rebates as the FAA is positive for those years (Fair Adjustment would be used to offset the majority of the CEA but the amount of the FAA would remain).
Slide 33	Acceleration Bullet	Should this reference cap in regulation?
Slide 36	First bullet	Consider removing references to "statutorily mandated". Remittances from IESO are mandated under s. 9.1 of O. Reg. 206/17.
Slide 36	Guarantor	Should this refer to a limited guarantee to make relationship clear?
Slide 38	Political Risk	Consider reviewing the characterization of the risk to align with the risk as described in the Agreements.
Slide 38	Third bullet	Please note reference to ability to disconnect service for non-payment by LDCs isn't fully reflective of the requirement, consider revising to be more reflective of the actual mechanism.

Formatted: Font color: Red

Formatted: Font color: Red

From: John Kim
To: Bruno Amara
Subject: FW: Draft GA Sub debt term sheet - Performance Fee Recommendations
Date: Friday, June 02, 2017 1:41:11 PM

I didn't know there was a meeting this afternoon….do you see an invite on your calendar?

From: Ken Kandeepan
Sent: Friday, June 02, 2017 1:29 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>
Cc: Graham Monroe <Graham.Monroe@ofina.on.ca>; Connie Chen <Connie.Chen@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; 'Montgomery, Kaitlin (MOF)' <Kaitlin.Montgomery@ontario.ca>
Subject: RE: Draft GA Sub debt term sheet - Performance Fee Recommendations

Carlos, Mike and Jim

Since I will not be available for the meeting this afternoon here is my single comment.

I have concerns with the weighted average calculation of both the benchmark and actual issuance including the debt issued to the Trust by OPG funded by the 44% equity injection given that there are no market forces in play with regard both issuance and funding of this tranche, at least from an OPG perspective.

The only way in which this tranche is acceptable for performance inclusion is by OPG linking the yield on this debt to what was issued to the markets by the Trust. For example the debt from the equity injection is X bps above or below what was issued in the markets for equal tenors. Even so a linked component in the benchmark, in my opinion, adds limited value.

Thanks

Ken k

From: Carlos Yep
Sent: Wednesday, May 31, 2017 9:06 AM
To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; 'Montgomery, Kaitlin (MOF)' <Kaitlin.Montgomery@ontario.ca>
Subject: FW: Draft GA Sub debt term sheet - Performance Fee Recommendations

fyi

From: LIU Sheen -TREASURY [mailto:sheen.liu@opg.com]
Sent: Wednesday, May 31, 2017 9:03 AM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: LEE John -TREASURY <john.s.lee@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; PRESTON Stuart -TREASURY <stuart.preston@opg.com>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>
Subject: RE: Draft GA Sub debt term sheet

Carlos,

Attached for your review please also find the recommended structure of variable performance fee and benchmark relating to GA financing. We can discuss it at our meeting with OFA as well.

Sheen

From: LIU Sheen -TREASURY
Sent: Tuesday, May 30, 2017 4:26 PM
To: 'Carlos Yep'
Cc: LEE John -TREASURY; RYFA Ken -TREASURY; PRESTON Stuart -TREASURY; HAHN PARKER Janet -TREASURY
Subject: Draft GA Sub debt term sheet

Carlos,

Further to our discussions re establishing GA financing benchmark. Attached please find the draft term sheet of the subordinated debt (from Province equity injection). Could you please review and circulate it to the appropriate contacts/group on your side. We'd also like to set up a meeting with OFA, at your earliest convenience, to go over the document and get your feedback. Please let us know your availability.

Thanks

Sheen

<< File: Draft Subordianted Debt Term Sheet.doc >>

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you

are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

From: John Kim
To: Shajee Kathirgamanathan; Gavin He
Cc: Bruno Amara
Subject: FW: EXTERNAL – FHP Questions - Funding Profile
Date: Thursday, February 15, 2018 12:55:40 PM

Fyi, the spread info seems a bit dated as we have the estimated numbers?

So the warehousing rate was at about 2.5%....is my read of the comment below? That's quite low. Is that how you read this?

From: Carlos Yep
Sent: Thursday, February 15, 2018 12:52 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: EXTERNAL – FHP Questions - Funding Profile

FYI

From: RYFA Ken -TREASURY [mailto:ken.ryfa@opg.com]
Sent: Wednesday, February 07, 2018 12:19 PM
To: Talwar, Shruti (ENERGY) <Shruti.Talwar@ontario.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Graham Young (MOI) <Graham.Young@ontario.ca>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; LIU Sheen -TREASURY <sheen.liu@opg.com>; GO Matthew -TREASURY <matthew.go@opg.com>
Subject: RE: EXTERNAL – FHP Questions

Shruti,
Now that the FHT has issued term debt the funding composition is starting to get more complicated. To help understand this below is a summary of the overall funding in the FHT which is now split between warehouse funding and term funding:

			Term debt takeout		
Warehouse Funding		Initial Balance	(980,392,156.86)	Ending Balance	
Senior debt	B=51% x A	601,290,000.00	(500,000,000.00)	101,290,000.00	51%
Subordinated	39/51 X B	459,810,000.00	(382,353,000.00)	77,457,000.00	39%
Junior subordinated	10/51 X B	117,900,000.00	(98,040,000.00)	19,860,000.00	10%
		1,179,000,000.00	(980,393,000.00)	198,607,000.00	
Term Debt Funding					
Senior debt	51.00%		500,000,000.00	500,000,000.00	51%
Subordinated	39.00%		382,353,000.00	382,353,000.00	39%
Junior subordinated	10.00%		98,040,000.00	98,040,000.00	10%
		-	980,393,000.00	980,393,000.00	
Total Funding					
Senior debt	51.00%	601,290,000.00	-	601,290,000.00	51%
Subordinated	39.00%	459,810,000.00	-	459,810,000.00	39%
Junior subordinated	10.00%	117,900,000.00	-	117,900,000.00	10%
		1,179,000,000.00	-	1,179,000,000.00	

1) The equity injection in December was used to fund the subordinated warehouse notes not the term notes. The warehouse notes have a base rate representing all-in funding costs of the senior warehouse notes per s 2.03(b). This funding cost is variable so any rate provided will only apply to a particular period. The December rate was approximately 2.5%. Per s 2.04(b)(i) & (c)(i) the applicable spread for sub and jr sub of this issuance was set at 0.10%.

   The sub and jr sub term notes that correspond to the senior term notes priced yesterday are different. The actual rates are still under review for the sub and jr sub which should be finalized soon.

2) Yes, next equity injection is likely March but could be February as well. For March transaction we would clear out as much of the IESO variance account as possible most of which is reflected in the February month end balance.

Hope this helps.
Thanks,
Ken

From: Talwar, Shruti (ENERGY) [mailto:Shruti.Talwar@ontario.ca]
Sent: Wednesday, February 07, 2018 11:25 AM
To: RYFA Ken -TREASURY <ken.ryfa@opg.com>; Yep, Carlos (OFA) <Carlos.Yep@ofina.on.ca>
Cc: Young, Graham (ENERGY) <Graham.Young@ontario.ca>
Subject: EXTERNAL – FHP Questions

*** Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email. ***

Hi Ken, Carlos,

Hope you are both well.

I have a couple of questions re: equity injection. They may be both for Ken, but Carlos may be useful to loop you in as well.

1) Can you please provide the interest rate for suboardinate and jr. suboardinate term notes for the transaction that closed on Dec 20, 2017. Per the interest protocol agreement, the interest rate is the 'applicable base rate' (defined in S 2.03) and 'applicable spread' (defined in S 2.04). Section 2.06 of the protocol notes the sharing of this information with ENERGY and OFA. We need this information as soon as possible.

2) What is the timing for the next equity injection? Are you thinking it will be as of the regulatory asset balance as at Feb 28, 2018? In which case, could we expect a request in early March? As you know, the transaction needs to close before March 31 to align with our approved allocations from Treasury Board.

Thank you. Feel free to give me a call with any questions.
Shruti

Shruti Talwar
Director, Strategic Policy and Analytics Branch
Strategic, Network and Agency Policy Division
Ontario Ministry of Energy

416.325-8698
shruti.talwar@ontario.ca

From: John Kim
To: Esther Jeon
Cc: Bruno Amara; Shajee Kathirgamanathan; Gavin He
Subject: FW: EXTERNAL – FHP Questions - Funding Profile
Date: Monday, April 23, 2018 1:37:23 PM

From: Carlos Yep
Sent: Thursday, February 15, 2018 12:52 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: EXTERNAL – FHP Questions - Funding Profile

FYI

From: RYFA Ken -TREASURY [mailto:ken.ryfa@opg.com]
Sent: Wednesday, February 07, 2018 12:19 PM
To: Talwar, Shruti (ENERGY) <Shruti.Talwar@ontario.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Graham Young (MOI) <Graham.Young@ontario.ca>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; LIU Sheen -TREASURY <sheen.liu@opg.com>; GO Matthew -TREASURY <matthew.go@opg.com>
Subject: RE: EXTERNAL – FHP Questions

Shruti,
Now that the FHT has issued term debt the funding composition is starting to get more complicated. To help understand this below is a summary of the overall funding in the FHT which is now split between warehouse funding and term funding:

			Term debt takeout		
Warehouse Funding		Initial Balance	(980,392,156.86)	Ending Balance	
Senior debt	B=51% x A	601,290,000.00	(500,000,000.00)	101,290,000.00	51%
Subordinated	39/51 X B	459,810,000.00	(382,353,000.00)	77,457,000.00	39%
Junior subordinated	10/51 X B	117,900,000.00	(98,040,000.00)	19,860,000.00	10%
		1,179,000,000.00	(980,393,000.00)	198,607,000.00	
Term Debt Funding					
Senior debt	51.00%		500,000,000.00	500,000,000.00	51%
Subordinated	39.00%		382,353,000.00	382,353,000.00	39%
Junior subordinated	10.00%		98,040,000.00	98,040,000.00	10%
		-	980,393,000.00	980,393,000.00	
Total Funding					
Senior debt	51.00%	601,290,000.00	-	601,290,000.00	51%
Subordinated	39.00%	459,810,000.00	-	459,810,000.00	39%
Junior subordinated	10.00%	117,900,000.00	-	117,900,000.00	10%
		1,179,000,000.00	-	1,179,000,000.00	

1) The equity injection in December was used to fund the subordinated warehouse notes not the term notes. The warehouse notes have a base rate representing all-in funding costs of the senior warehouse notes per s

2.03(b). This funding cost is variable so any rate provided will only apply to a particular period. The December rate was approximately 2.5%. Per s 2.04(b)(i) & (c)(i) the applicable spread for sub and jr sub of this issuance was set at 0.10%.

The sub and jr sub term notes that correspond to the senior term notes priced yesterday are different. The actual rates are still under review for the sub and jr sub which should be finalized soon.

2) Yes, next equity injection is likely March but could be February as well. For March transaction we would clear out as much of the IESO variance account as possible most of which is reflected in the February month end balance.

Hope this helps.
Thanks,
Ken

From: Talwar, Shruti (ENERGY) [mailto:Shruti.Talwar@ontario.ca]
Sent: Wednesday, February 07, 2018 11:25 AM
To: RYFA Ken -TREASURY <ken.ryfa@opg.com>; Yep, Carlos (OFA) <Carlos.Yep@ofina.on.ca>
Cc: Young, Graham (ENERGY) <Graham.Young@ontario.ca>
Subject: EXTERNAL – FHP Questions

*** Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email. ***

Hi Ken, Carlos,

Hope you are both well.

I have a couple of questions re: equity injection. They may be both for Ken, but Carlos may be useful to loop you in as well.

1) Can you please provide the interest rate for suboardinate and jr. suboardinate term notes for the transaction that closed on Dec 20, 2017. Per the interest protocol agreement, the interest rate is the 'applicable base rate' (defined in S 2.03) and 'applicable spread' (defined in S 2.04). Section 2.06 of the protocol notes the sharing of this information with ENERGY and OFA. We need this information as soon as possible.

2) What is the timing for the next equity injection? Are you thinking it will be as of the regulatory asset balance as at Feb 28, 2018? In which case, could we expect a request in early March? As you know, the transaction needs to close before March 31 to align with our approved allocations from Treasury Board.

Thank you. Feel free to give me a call with any questions.
Shruti

Shruti Talwar
Director, Strategic Policy and Analytics Branch
Strategic, Network and Agency Policy Division
Ontario Ministry of Energy
416.325-8698
shruti.talwar@ontario.ca

From:	John Kim
To:	Gavin He
Subject:	FW: EXTERNAL – RE: Closing Mechanics - Fair Hydro
Date:	Wednesday, December 27, 2017 11:23:05 AM

You saw this right?

From: Ronald Kwan
Sent: Thursday, December 21, 2017 12:39 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: FW: EXTERNAL – RE: Closing Mechanics - Fair Hydro

FYI.

Ron

From: Ramchandani, Rima [mailto:rramchandani@torys.com]
Sent: December-21-17 12:33
To: 'Delaney, Brian' <Brian.Delaney@gs.com>; 'Benaiah, Ian' <ian.benaiah@rbccm.com>; Saulnier, Brett <bsaulnier@torys.com>; Persad, Nicole <Nicole.Persad@cibc.com>; 'YAO Anthea - FUNDMGMT' <anthea.yao@opg.com>; Mansoori, Nina <nmansoori@torys.com>; dup-john.s.lee@opg.com <john.s.lee@opg.com>; 'WONG Leslie -LAWDIV' <leslie.wong@opg.com>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>; 'Hunter, Rosalind' <RHunter@osler.com>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; 'ASHBOURNE, STEPHEN' <STEPHEN.ASHBOURNE@blakes.com>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; 'Thouin, Alena (ENERGY)' <Alena.Thouin@ontario.ca>; Tom McKinlay (MAG) <Tom.McKinlay@ontario.ca>; 'VINER, JON' <JON.VINER@blakes.com>; 'PRESTAGE, JA' <JA.PRESTAGE@blakes.com>; Daniel Cayley (ENERGY) <Daniel.Cayley@ontario.ca>; 'LIU Sheen -TREASURY' <sheen.liu@opg.com>; 'MCAULEY Tyler -LAWDIV' <tyler.mcauley@opg.com>; 'GRECO Clara -LAWDIV' <clara.greco@opg.com>; 'GO Matthew - TREASURY' <matthew.go@opg.com>; 'JORDA Jenny -FIN & C CTRL' <jenny.jorda@opg.com>; 'PRESTON Stuart -TREASURY' <stuart.preston@opg.com>; 'DREWNIAK John -TREASURY' <john.drewniak@opg.com>; 'HAHN PARKER Janet -TREASURY' <j.hahnparker@opg.com>; Alvi, Shariq <Shariq.Alvi@cibc.com>; 'Innes, Michael' <MInnes@osler.com>; Stoddart, Jesse - Debt Capital Markets <Jesse.Stoddart@cibc.com>; Rix, Lindsey - Legal <Lindsey.Rix@cibc.com>; Hume, Tyler <Tyler.Hume@cibc.com>; Daou, Hadi <Hadi.Daou@cibc.com>; 'mfitzpatrick@hunton.com' <mfitzpatrick@hunton.com>; 'aobrian@hunton.com' <aobrian@hunton.com>; 'Smith, Elliot' <ESmith@osler.com>; 'King, Richard' <rking@osler.com>; 'Royer, Kate' <KRoyer@osler.com>; 'Hughes, Timothy' <THughes@osler.com>; Adalja, Sunil <Sunil.Adalja@cibc.com>; Persaud, Donnie - Debt Capital Markets <Donnie.Persaud@cibc.com>; 'Sebastiano, Rocco' <RSebastiano@osler.com>; Maciel, Andrew <Andrew.Maciel@cibc.com>; Khan, Nur <nur.khan@rbccm.com>; Niehaus, Katrina <Katrina.Niehaus@gs.com>; Conner, Robbin <Robbin.Conner@gs.com>; 'Milligan, Peter'

<PMilligan@osler.com>; 'Sebastiano, Rocco' <RSebastiano@osler.com>; 'Fullerton, Rick' <RFullerton@osler.com>; 'Lively, Pamela' <Pamela.Lively@bnymellon.com>; 'Adam, Ahmad' <Ahmad.Adam@bnymellon.com>; 'Krowles, Geralyn' <Geralyn.Krowles@BNYMellon.com>; 'Morris, Eleonore' <Eleonore.Morris@bnymellon.com>; 'Peter Hamilton' <PHamilton@stikeman.com>; 'Michael Boll' <Michael.Boll@ieso.ca>; dup-anthony.martinello@ieso.ca <anthony.martinello@ieso.ca>; 'Jeannette Briggs (jeannette.briggs@ieso.ca)' <jeannette.briggs@ieso.ca>; 'kim.marshall@ieso.ca' <kim.marshall@ieso.ca>; 'RYFA Ken -TREASURY' <ken.ryfa@opg.com>; Malhi, Harman <harman.malhi@rbccm.com>; Taylor, Brent R <brent.r.taylor@rbccm.com>
Cc: Feldman, Michael <mfeldman@torys.com>; Emes, Aaron <aemes@torys.com>; Olusoga, Yinka <yolusoga@torys.com>; Prado, Melissa <mprado@torys.com>; Dost, Mitchell <mdost@torys.com>
Subject: RE: EXTERNAL – RE: Closing Mechanics - Fair Hydro

That confirms we are officially closed. Congratulations all, and Happy Holidays!

Rima Ramchandani

P. 416.865.7666 | F. 416.865.7380 | 1.800.505.8679

From: Delaney, Brian [mailto:Brian.Delaney@gs.com]
Sent: December-21-17 12:19 PM
To: 'Benaiah, Ian' <ian.benaiah@rbccm.com>; Saulnier, Brett <bsaulnier@torys.com>; Persad, Nicole <Nicole.Persad@cibc.com>; 'YAO Anthea -FUNDMGMT' <anthea.yao@opg.com>; Mansoori, Nina <nmansoori@torys.com>; dup-john.s.lee@opg.com <john.s.lee@opg.com>; 'WONG Leslie -LAWDIV' <leslie.wong@opg.com>; 'Mayman, Gadi (OFA)' <Gadi.Mayman@ofina.on.ca>; 'Hunter, Rosalind' <RHunter@osler.com>; 'Hanslep, Malle (MOF)' <Malle.Hanslep@ontario.ca>; 'ASHBOURNE, STEPHEN' <STEPHEN.ASHBOURNE@blakes.com>; 'Whitfield, Tobias P. (MOF)' <Tobias.Whitfield@ontario.ca>; 'Kandeepan, Ken (OFA)' <Ken.Kandeepan@ofina.on.ca>; 'Manning, Mike (OFA)' <Mike.Manning@ofina.on.ca>; 'Kwan, Ronald (OFA)' <Ronald.Kwan@ofina.on.ca>; 'Thouin, Alena (ENERGY)' <Alena.Thouin@ontario.ca>; 'McKinlay, Tom (MAG)' <Tom.McKinlay@ontario.ca>; 'VINER, JON' <JON.VINER@blakes.com>; 'PRESTAGE, JA' <JA.PRESTAGE@blakes.com>; 'Cayley, Daniel (ENERGY)' <Daniel.Cayley@ontario.ca>; 'LIU Sheen -TREASURY' <sheen.liu@opg.com>; 'MCAULEY Tyler -LAWDIV' <tyler.mcauley@opg.com>; 'GRECO Clara -LAWDIV' <clara.greco@opg.com>; 'GO Matthew -TREASURY' <matthew.go@opg.com>; 'JORDA Jenny -FIN & C CTRL' <jenny.jorda@opg.com>; 'PRESTON Stuart -TREASURY' <stuart.preston@opg.com>; 'DREWNIAK John -TREASURY' <john.drewniak@opg.com>; 'HAHN PARKER Janet -TREASURY' <j.hahnparker@opg.com>; Alvi, Shariq <Shariq.Alvi@cibc.com>; 'Innes, Michael' <MInnes@osler.com>; Stoddart, Jesse - Debt Capital Markets <Jesse.Stoddart@cibc.com>; Rix, Lindsey - Legal <Lindsey.Rix@cibc.com>; Hume, Tyler <Tyler.Hume@cibc.com>; Daou, Hadi <Hadi.Daou@cibc.com>; 'mfitzpatrick@hunton.com' <mfitzpatrick@hunton.com>; 'aobrian@hunton.com' <aobrian@hunton.com>; 'Smith, Elliot' <ESmith@osler.com>; 'King, Richard' <rking@osler.com>; 'Royer, Kate' <KRoyer@osler.com>; 'Hughes, Timothy' <THughes@osler.com>; Adalja, Sunil <Sunil.Adalja@cibc.com>; Persaud, Donnie - Debt Capital Markets <Donnie.Persaud@cibc.com>; 'Sebastiano, Rocco' <RSebastiano@osler.com>; Maciel, Andrew <Andrew.Maciel@cibc.com>; Khan, Nur <nur.khan@rbccm.com>; Niehaus, Katrina <Katrina.Niehaus@gs.com>; Conner, Robbin <Robbin.Conner@gs.com>; 'Milligan, Peter' <PMilligan@osler.com>; 'Sebastiano, Rocco' <RSebastiano@osler.com>; 'Fullerton, Rick'

<RFullerton@osler.com>; 'Lively, Pamela' <Pamela.Lively@bnymellon.com>; 'Adam, Ahmad' <Ahmad.Adam@bnymellon.com>; 'Krowles, Geralyn' <Geralyn.Krowles@BNYMellon.com>; 'Morris, Eleonore' <Eleonore.Morris@bnymellon.com>; 'Peter Hamilton' <PHamilton@stikeman.com>; 'Michael Boll' <Michael.Boll@ieso.ca>; dup-anthony.martinello@ieso.ca <anthony.martinello@ieso.ca>; 'Jeannette Briggs (jeannette.briggs@ieso.ca)' <jeannette.briggs@ieso.ca>; 'kim.marshall@ieso.ca' <kim.marshall@ieso.ca>; 'RYFA Ken -TREASURY' <ken.ryfa@opg.com>; Malhi, Harman <harman.malhi@rbccm.com>; Taylor, Brent R <brent.r.taylor@rbccm.com>
Cc: Feldman, Michael <mfeldman@torys.com>; Ramchandani, Rima <rramchandani@torys.com>; Emes, Aaron <aemes@torys.com>; Olusoga, Yinka <yolusoga@torys.com>; Prado, Melissa <mprado@torys.com>; Dost, Mitchell <mdost@torys.com>
Subject: RE: EXTERNAL – RE: Closing Mechanics - Fair Hydro

GS also confirmed receipt.

Thanks,
Brian

From: Benaiah, Ian [mailto:ian.benaiah@rbccm.com]
Sent: Thursday, December 21, 2017 11:50 AM
Cc: Feldman, Michael; Ramchandani, Rima; Emes, Aaron; Olusoga, Yinka; Prado, Melissa; Dost, Mitchell
Subject: Re: EXTERNAL – RE: Closing Mechanics - Fair Hydro

RBC confirms receipt of fees. Thanks. Ian

From: Saulnier, Brett
Sent: Thursday, December 21, 2017 11:05 AM
To: Delaney, Brian; Benaiah, Ian; Persad, Nicole; 'YAO Anthea -FUNDMGMT'; Mansoori, Nina; dup-john.s.lee@opg.com; 'WONG Leslie -LAWDIV'; 'Mayman, Gadi (OFA)'; 'Hunter, Rosalind'; 'Hanslep, Malle (MOF)'; 'ASHBOURNE, STEPHEN'; 'Whitfield, Tobias P. (MOF)'; 'Kandeepan, Ken (OFA)'; 'Manning, Mike (OFA)'; 'Kwan, Ronald (OFA)'; 'Thouin, Alena (ENERGY)'; 'McKinlay, Tom (MAG)'; 'VINER, JON'; 'PRESTAGE, JA'; 'Cayley, Daniel (ENERGY)'; 'LIU Sheen -TREASURY'; 'MCAULEY Tyler -LAWDIV'; 'GRECO Clara -LAWDIV'; 'GO Matthew -TREASURY'; 'JORDA Jenny -FIN & C CTRL'; 'PRESTON Stuart -TREASURY'; 'DREWNIAK John -TREASURY'; 'HAHN PARKER Janet -TREASURY'; Alvi, Shariq; 'Innes, Michael'; Stoddart, Jesse - Debt Capital Markets; Rix, Lindsey - Legal; Hume, Tyler; Daou, Hadi; 'mfitzpatrick@hunton.com'; 'aobrian@hunton.com'; 'Smith, Elliot'; 'King, Richard'; 'Royer, Kate'; 'Hughes, Timothy'; Adalja, Sunil; Persaud, Donnie - Debt Capital Markets; 'Sebastiano, Rocco'; Maciel, Andrew; Khan, Nur; Niehaus, Katrina; Conner, Robbin; 'Milligan, Peter'; 'Sebastiano, Rocco'; 'Fullerton, Rick'; 'Lively, Pamela'; 'Adam, Ahmad'; 'Krowles, Geralyn'; 'Morris, Eleonore'; 'Peter Hamilton'; 'Michael Boll'; dup-anthony.martinello@ieso.ca; 'Jeannette Briggs (jeannette.briggs@ieso.ca)'; 'kim.marshall@ieso.ca'; 'RYFA Ken -TREASURY'; Malhi, Harman; Taylor, Brent R
Cc: Feldman, Michael; Ramchandani, Rima; Emes, Aaron; Olusoga, Yinka; Prado, Melissa; Dost, Mitchell
Subject: RE: EXTERNAL – RE: Closing Mechanics - Fair Hydro

All,

IESO has confirmed that they have received the total amount of $1,179,000,000 in the attached email. Could each of the dealers please confirm whether they have received the wires representing their fees? Once confirmed, we will be officially closed.

Thanks,

Brett

Brett Saulnier

P. 416.865.8148 | F. 416.865.7380 | 1.800.505.8679

From: Delaney, Brian [mailto:Brian.Delaney@gs.com]
Sent: December-21-17 10:26 AM
To: 'Benaiah, Ian' <ian.benaiah@rbccm.com>; Persad, Nicole <Nicole.Persad@cibc.com>; 'YAO Anthea -FUNDMGMT' <anthea.yao@opg.com>; Mansoori, Nina <nmansoori@torys.com>; dup-john.s.lee@opg.com <john.s.lee@opg.com>; 'WONG Leslie -LAWDIV' <leslie.wong@opg.com>; 'Mayman, Gadi (OFA)' <Gadi.Mayman@ofina.on.ca>; 'Hunter, Rosalind' <RHunter@osler.com>; 'Hanslep, Malle (MOF)' <Malle.Hanslep@ontario.ca>; 'ASHBOURNE, STEPHEN' <STEPHEN.ASHBOURNE@blakes.com>; 'Whitfield, Tobias P. (MOF)' <Tobias.Whitfield@ontario.ca>; 'Kandeepan, Ken (OFA)' <Ken.Kandeepan@ofina.on.ca>; 'Manning, Mike (OFA)' <Mike.Manning@ofina.on.ca>; 'Kwan, Ronald (OFA)' <Ronald.Kwan@ofina.on.ca>; 'Thouin, Alena (ENERGY)' <Alena.Thouin@ontario.ca>; 'McKinlay, Tom (MAG)' <Tom.McKinlay@ontario.ca>; 'VINER, JON' <JON.VINER@blakes.com>; 'PRESTAGE, JA' <JA.PRESTAGE@blakes.com>; 'Cayley, Daniel (ENERGY)' <Daniel.Cayley@ontario.ca>; 'LIU Sheen -TREASURY' <sheen.liu@opg.com>; 'MCAULEY Tyler -LAWDIV' <tyler.mcauley@opg.com>; 'GRECO Clara -LAWDIV' <clara.greco@opg.com>; 'GO Matthew -TREASURY' <matthew.go@opg.com>; 'JORDA Jenny -FIN & C CTRL' <jenny.jorda@opg.com>; 'PRESTON Stuart -TREASURY' <stuart.preston@opg.com>; 'DREWNIAK John -TREASURY' <john.drewniak@opg.com>; 'HAHN PARKER Janet -TREASURY' <j.hahnparker@opg.com>; Alvi, Shariq <Shariq.Alvi@cibc.com>; 'Innes, Michael' <MInnes@osler.com>; Stoddart, Jesse - Debt Capital Markets <Jesse.Stoddart@cibc.com>; Rix, Lindsey - Legal <Lindsey.Rix@cibc.com>; Hume, Tyler <Tyler.Hume@cibc.com>; Daou, Hadi <Hadi.Daou@cibc.com>; 'mfitzpatrick@hunton.com' <mfitzpatrick@hunton.com>; 'aobrian@hunton.com' <aobrian@hunton.com>; 'Smith, Elliot' <ESmith@osler.com>; 'King, Richard' <rking@osler.com>; 'Royer, Kate' <KRoyer@osler.com>; 'Hughes, Timothy' <THughes@osler.com>; Adalja, Sunil <Sunil.Adalja@cibc.com>; Persaud, Donnie - Debt Capital Markets <Donnie.Persaud@cibc.com>; 'Sebastiano, Rocco' <RSebastiano@osler.com>; Maciel, Andrew <Andrew.Maciel@cibc.com>; Khan, Nur <nur.khan@rbccm.com>; Niehaus, Katrina <Katrina.Niehaus@gs.com>; Conner, Robbin <Robbin.Conner@gs.com>; 'Milligan, Peter' <PMilligan@osler.com>; 'Sebastiano, Rocco' <RSebastiano@osler.com>; 'Fullerton, Rick' <RFullerton@osler.com>; 'Lively, Pamela' <Pamela.Lively@bnymellon.com>; 'Adam, Ahmad' <Ahmad.Adam@bnymellon.com>; 'Krowles, Geralyn' <Geralyn.Krowles@BNYMellon.com>; 'Morris, Eleonore' <Eleonore.Morris@bnymellon.com>; 'Peter Hamilton' <PHamilton@stikeman.com>; 'Michael Boll' <Michael.Boll@ieso.ca>; dup-anthony.martinello@ieso.ca <anthony.martinello@ieso.ca>; 'Jeannette Briggs (jeannette.briggs@ieso.ca)' <jeannette.briggs@ieso.ca>; 'kim.marshall@ieso.ca' <kim.marshall@ieso.ca>; 'RYFA Ken -TREASURY' <ken.ryfa@opg.com>; Malhi, Harman <harman.malhi@rbccm.com>; Taylor, Brent R <brent.r.taylor@rbccm.com>
Cc: Feldman, Michael <mfeldman@torys.com>; Ramchandani, Rima <rramchandani@torys.com>; Emes, Aaron <aemes@torys.com>; Olusoga, Yinka <yolusoga@torys.com>; Saulnier, Brett <bsaulnier@torys.com>; Prado, Melissa <mprado@torys.com>; Dost, Mitchell <mdost@torys.com>
Subject: RE: EXTERNAL – RE: Closing Mechanics - Fair Hydro

Anthea—

GS reference number below.

Thanks,
Brian

Ref: CA171221220339

From: Benaiah, Ian [mailto:ian.benaiah@rbccm.com]
Sent: Thursday, December 21, 2017 10:05 AM
Cc: 'Feldman, Michael'; 'Ramchandani, Rima'; 'Emes, Aaron'; 'Olusoga, Yinka'; 'Saulnier, Brett'; 'Prado, Melissa'; 'Dost, Mitchell'
Subject: Re: EXTERNAL – RE: Closing Mechanics - Fair Hydro

Anthea,

RBC wire reference number for Lakeshore Trust is:

Lakeshore Trust - $244,274,062.50 - LVTS 65GXL6VDCTR2

Please let us know if you have any questions. Thanks. Ian

From: Persad, Nicole
Sent: Thursday, December 21, 2017 9:29 AM
To: 'YAO Anthea -FUNDMGMT'; 'Mansoori, Nina'; dup-john.s.lee@opg.com; 'WONG Leslie -LAWDIV'; 'Mayman, Gadi (OFA)'; 'Hunter, Rosalind'; 'Hanslep, Malle (MOF)'; 'ASHBOURNE, STEPHEN'; 'Whitfield, Tobias P. (MOF)'; 'Kandeepan, Ken (OFA)'; 'Manning, Mike (OFA)'; 'Kwan, Ronald (OFA)'; 'Thouin, Alena (ENERGY)'; 'McKinlay, Tom (MAG)'; 'VINER, JON'; 'PRESTAGE, JA'; 'Cayley, Daniel (ENERGY)'; 'LIU Sheen -TREASURY'; 'MCAULEY Tyler -LAWDIV'; 'GRECO Clara -LAWDIV'; 'GO Matthew -TREASURY'; 'JORDA Jenny -FIN & C CTRL'; 'PRESTON Stuart -TREASURY'; 'DREWNIAK John -TREASURY'; 'HAHN PARKER Janet -TREASURY'; Alvi, Shariq; 'Innes, Michael'; Stoddart, Jesse - Debt Capital Markets; Rix, Lindsey - Legal; Hume, Tyler; Daou, Hadi; 'mfitzpatrick@hunton.com'; 'aobrian@hunton.com'; 'Smith, Elliot'; 'King, Richard'; 'Royer, Kate'; 'Hughes, Timothy'; Adalja, Sunil; Persaud, Donnie - Debt Capital Markets; 'Sebastiano, Rocco'; Maciel, Andrew; Benaiah, Ian; Khan, Nur; ''Niehaus, Katrina' (Katrina.Niehaus@gs.com)'; 'Delaney, Brian (Brian.Delaney@gs.com)'; 'Conner, Robbin'; 'Milligan, Peter'; 'Sebastiano, Rocco'; 'Fullerton, Rick'; 'Lively, Pamela'; 'Adam, Ahmad'; 'Krowles, Geralyn'; 'Morris, Eleonore'; 'Peter Hamilton'; 'Michael Boll'; dup-anthony.martinello@ieso.ca; 'Jeannette Briggs (jeannette.briggs@ieso.ca)'; 'kim.marshall@ieso.ca'; 'RYFA Ken -TREASURY'
Cc: 'Feldman, Michael'; 'Ramchandani, Rima'; 'Emes, Aaron'; 'Olusoga, Yinka'; 'Saulnier, Brett'; 'Prado, Melissa'; 'Dost, Mitchell'
Subject: RE: EXTERNAL – RE: Closing Mechanics - Fair Hydro

Anthea,

CIBC wire reference numbers are as follows:

SOUND Trust - $200,000,000.00 - LVTS65GXJ078QTR2
SURE Trust - $44,274,062.50 - LVTS65GXJAPDOTR2

Thanks,
Nicole

Nicole Persad | Associate, Securitization | CIBC Capital Markets | CIBC World Markets Inc.
161 Bay Street 5th Floor, Toronto ON M5J 2S8 | Tel: 416 594-7576 | nicole.persad@cibc.com

---

From: YAO Anthea -FUNDMGMT [mailto:anthea.yao@opg.com]
Sent: Thursday, December 21, 2017 9:07 AM
To: Mansoori, Nina; dup-john.s.lee@opg.com; WONG Leslie -LAWDIV; 'Mayman, Gadi (OFA)'; 'Hunter, Rosalind'; 'Hanslep, Malle (MOF)'; 'ASHBOURNE, STEPHEN'; 'Whitfield, Tobias P. (MOF)'; 'Kandeepan, Ken (OFA)'; 'Manning, Mike (OFA)'; 'Kwan, Ronald (OFA)'; 'Thouin, Alena (ENERGY)'; 'McKinlay, Tom (MAG)'; 'VINER, JON'; 'PRESTAGE, JA'; 'Cayley, Daniel (ENERGY)'; LIU Sheen -TREASURY; MCAULEY Tyler -LAWDIV; GRECO Clara -LAWDIV; GO Matthew -TREASURY; JORDA Jenny -FIN & C CTRL; PRESTON Stuart -TREASURY; DREWNIAK John -TREASURY; HAHN PARKER Janet -TREASURY; Alvi, Shariq; 'Innes, Michael'; Stoddart, Jesse - Debt Capital Markets; Rix, Lindsey - Legal; Hume, Tyler; Daou, Hadi; Persad, Nicole; 'mfitzpatrick@hunton.com'; 'aobrian@hunton.com'; 'Smith, Elliot'; 'King, Richard'; 'Royer, Kate'; 'Hughes, Timothy'; Adalja, Sunil; Persaud, Donnie - Debt Capital Markets; 'Sebastiano, Rocco'; Maciel, Andrew; 'Benaiah, Ian'; 'Khan, Nur'; "Niehaus, Katrina' (Katrina.Niehaus@gs.com)'; 'Delaney, Brian (Brian.Delaney@gs.com)'; 'Conner, Robbin'; 'Milligan, Peter'; 'Sebastiano, Rocco'; 'Fullerton, Rick'; 'Lively, Pamela'; 'Adam, Ahmad'; 'Krowles, Geralyn'; 'Morris, Eleonore'; 'Peter Hamilton'; 'Michael Boll'; dup-anthony.martinello@ieso.ca; 'Jeannette Briggs (jeannette.briggs@ieso.ca)'; 'kim.marshall@ieso.ca'; RYFA Ken -TREASURY
Cc: Feldman, Michael; Ramchandani, Rima; Emes, Aaron; Olusoga, Yinka; Saulnier, Brett; Prado, Melissa; Dost, Mitchell
Subject: RE: EXTERNAL – RE: Closing Mechanics - Fair Hydro

Just to clarify that the wires below were sent.

From: YAO Anthea -FUNDMGMT
Sent: Thursday, December 21, 2017 9:03 AM
To: 'Mansoori, Nina' <nmansoori@torys.com>; LEE John -TREASURY <john.s.lee@opg.com>; WONG Leslie -LAWDIV <leslie.wong@opg.com>; 'Mayman, Gadi (OFA)' <Gadi.Mayman@ofina.on.ca>; 'Hunter, Rosalind' <RHunter@osler.com>; 'Hanslep, Malle (MOF)' <Malle.Hanslep@ontario.ca>; 'ASHBOURNE, STEPHEN' <STEPHEN.ASHBOURNE@blakes.com>; 'Whitfield, Tobias P. (MOF)' <Tobias.Whitfield@ontario.ca>; 'Kandeepan, Ken (OFA)' <Ken.Kandeepan@ofina.on.ca>; 'Manning, Mike (OFA)' <Mike.Manning@ofina.on.ca>; 'Kwan, Ronald (OFA)' <Ronald.Kwan@ofina.on.ca>; 'Thouin, Alena (ENERGY)' <Alena.Thouin@ontario.ca>; 'McKinlay, Tom (MAG)' <Tom.McKinlay@ontario.ca>; 'VINER, JON' <JON.VINER@blakes.com>; 'PRESTAGE, JA' <JA.PRESTAGE@blakes.com>; 'Cayley, Daniel (ENERGY)' <Daniel.Cayley@ontario.ca>; LIU Sheen -TREASURY <sheen.liu@opg.com>; MCAULEY Tyler -LAWDIV <tyler.mcauley@opg.com>; GRECO Clara -LAWDIV <clara.greco@opg.com>; GO Matthew -TREASURY <matthew.go@opg.com>; JORDA Jenny -FIN & C CTRL <jenny.jorda@opg.com>; PRESTON Stuart -TREASURY <stuart.preston@opg.com>; DREWNIAK John -TREASURY <john.drewniak@opg.com>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>; 'Alvi, Shariq' <Shariq.Alvi@cibc.com>; 'Innes, Michael' <MInnes@osler.com>; 'Stoddart, Jesse - Debt Capital Markets' <Jesse.Stoddart@cibc.com>; 'Rix, Lindsey - Legal' <Lindsey.Rix@cibc.com>; 'Hume, Tyler' <Tyler.Hume@cibc.com>; 'Daou, Hadi' <Hadi.Daou@cibc.com>; 'Persad, Nicole' <Nicole.Persad@cibc.com>; 'mfitzpatrick@hunton.com' <mfitzpatrick@hunton.com>; 'aobrian@hunton.com' <aobrian@hunton.com>; 'Smith, Elliot'

<ESmith@osler.com>; 'King, Richard' <rking@osler.com>; 'Royer, Kate' <KRoyer@osler.com>; 'Hughes, Timothy' <THughes@osler.com>; 'Adalja, Sunil' <Sunil.Adalja@cibc.com>; 'Persaud, Donnie - Debt Capital Markets' <Donnie.Persaud@cibc.com>; 'Sebastiano, Rocco' <RSebastiano@osler.com>; 'Maciel, Andrew' <Andrew.Maciel@cibc.com>; 'Benaiah, Ian' <ian.benaiah@rbccm.com>; 'Khan, Nur' <nur.khan@rbccm.com>; ''Niehaus, Katrina' (Katrina.Niehaus@gs.com)' <Katrina.Niehaus@gs.com>; 'Delaney, Brian (Brian.Delaney@gs.com)' <Brian.Delaney@gs.com>; 'Conner, Robbin' <Robbin.Conner@gs.com>; 'Milligan, Peter' <PMilligan@osler.com>; 'Sebastiano, Rocco' <RSebastiano@osler.com>; 'Fullerton, Rick' <RFullerton@osler.com>; 'Lively, Pamela' <Pamela.Lively@bnymellon.com>; 'Adam, Ahmad' <Ahmad.Adam@bnymellon.com>; 'Krowles, Geralyn' <Geralyn.Krowles@BNYMellon.com>; 'Morris, Eleonore' <Eleonore.Morris@bnymellon.com>; 'Peter Hamilton' <PHamilton@stikeman.com>; 'Michael Boll' <Michael.Boll@ieso.ca>; 'Anthony Martinello (Anthony.Martinello@ieso.ca)' <Anthony.Martinello@ieso.ca>; 'Jeannette Briggs (jeannette.briggs@ieso.ca)' <jeannette.briggs@ieso.ca>; 'kim.marshall@ieso.ca' <kim.marshall@ieso.ca>; RYFA Ken -TREASURY <ken.ryfa@opg.com>
Cc: Feldman, Michael <mfeldman@torys.com>; Ramchandani, Rima <rramchandani@torys.com>; Emes, Aaron <aemes@torys.com>; Olusoga, Yinka <yolusoga@torys.com>; Saulnier, Brett <bsaulnier@torys.com>; Prado, Melissa <mprado@torys.com>; Dost, Mitchell <mdost@torys.com>
Subject: RE: EXTERNAL – RE: Closing Mechanics - Fair Hydro

All,

Please see the LVTS numbers for the two wire payments below.

OPG will wire C$117,900,000 representing the Junior Subordinated Debt proceeds to the IESO and circulate a wire confirmation to this group - LVTS65GXAOJ7ITR2
OPG will wire C$459,810,000 representing the Subordinated Debt proceeds to the IESO and circulate a wire confirmation to this group - LVTS65GX5P4FNTR2

Thanks,
Anthea

Anthea Yao | **Ontario Power Generation**
700 University Avenue, Suite H18 C2, Toronto, Ontario, M5G 1X6 | T416.592.5542 | F 416.592.4189 | E anthea.yao@opg.com

---

From: Mansoori, Nina [mailto:nmansoori@torys.com]
Sent: Wednesday, December 20, 2017 10:42 PM
To: LEE John -TREASURY <john.s.lee@opg.com>; WONG Leslie -LAWDIV <leslie.wong@opg.com>; 'Mayman, Gadi (OFA)' <Gadi.Mayman@ofina.on.ca>; 'Hunter, Rosalind' <RHunter@osler.com>; 'Hanslep, Malle (MOF)' <Malle.Hanslep@ontario.ca>; 'ASHBOURNE, STEPHEN' <STEPHEN.ASHBOURNE@blakes.com>; 'Whitfield, Tobias P. (MOF)' <Tobias.Whitfield@ontario.ca>; 'Kandeepan, Ken (OFA)' <Ken.Kandeepan@ofina.on.ca>; 'Manning, Mike (OFA)'

<Mike.Manning@ofina.on.ca>; 'Kwan, Ronald (OFA)' <Ronald.Kwan@ofina.on.ca>; 'Thouin, Alena (ENERGY)' <Alena.Thouin@ontario.ca>; 'McKinlay, Tom (MAG)' <Tom.McKinlay@ontario.ca>; 'VINER, JON' <JON.VINER@blakes.com>; 'PRESTAGE, JA' <JA.PRESTAGE@blakes.com>; 'Cayley, Daniel (ENERGY)' <Daniel.Cayley@ontario.ca>; LIU Sheen -TREASURY <sheen.liu@opg.com>; MCAULEY Tyler -LAWDIV <tyler.mcauley@opg.com>; GRECO Clara -LAWDIV <clara.greco@opg.com>; GO Matthew -TREASURY <matthew.go@opg.com>; YAO Anthea -FUNDMGMT <anthea.yao@opg.com>; JORDA Jenny -FIN & C CTRL <jenny.jorda@opg.com>; PRESTON Stuart -TREASURY <stuart.preston@opg.com>; DREWNIAK John -TREASURY <john.drewniak@opg.com>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>; 'Alvi, Shariq' <Shariq.Alvi@cibc.com>; 'Innes, Michael' <MInnes@osler.com>; 'Stoddart, Jesse - Debt Capital Markets' <Jesse.Stoddart@cibc.com>; 'Rix, Lindsey - Legal' <Lindsey.Rix@cibc.com>; 'Hume, Tyler' <Tyler.Hume@cibc.com>; 'Daou, Hadi' <Hadi.Daou@cibc.com>; 'Persad, Nicole' <Nicole.Persad@cibc.com>; 'mfitzpatrick@hunton.com' <mfitzpatrick@hunton.com>; 'aobrian@hunton.com' <aobrian@hunton.com>; 'Smith, Elliot' <ESmith@osler.com>; 'King, Richard' <rking@osler.com>; 'Royer, Kate' <KRoyer@osler.com>; 'Hughes, Timothy' <THughes@osler.com>; 'Adalja, Sunil' <Sunil.Adalja@cibc.com>; 'Persaud, Donnie - Debt Capital Markets' <Donnie.Persaud@cibc.com>; 'Sebastiano, Rocco' <RSebastiano@osler.com>; 'Maciel, Andrew' <Andrew.Maciel@cibc.com>; 'Benaiah, Ian' <ian.benaiah@rbccm.com>; 'Khan, Nur' <nur.khan@rbccm.com>; ''Niehaus, Katrina' (Katrina.Niehaus@gs.com)' <Katrina.Niehaus@gs.com>; 'Delaney, Brian (Brian.Delaney@gs.com)' <Brian.Delaney@gs.com>; 'Conner, Robbin' <Robbin.Conner@gs.com>; 'Milligan, Peter' <PMilligan@osler.com>; 'Sebastiano, Rocco' <RSebastiano@osler.com>; 'Fullerton, Rick' <RFullerton@osler.com>; 'Lively, Pamela' <Pamela.Lively@bnymellon.com>; 'Adam, Ahmad' <Ahmad.Adam@bnymellon.com>; 'Krowles, Geralyn' <Geralyn.Krowles@BNYMellon.com>; 'Morris, Eleonore' <Eleonore.Morris@bnymellon.com>; 'Peter Hamilton' <PHamilton@stikeman.com>; 'Michael Boll' <Michael.Boll@ieso.ca>; 'Anthony Martinello (Anthony.Martinello@ieso.ca)' <Anthony.Martinello@ieso.ca>; 'Jeannette Briggs (jeannette.briggs@ieso.ca)' <jeannette.briggs@ieso.ca>; 'kim.marshall@ieso.ca' <kim.marshall@ieso.ca>; RYFA Ken -TREASURY <ken.ryfa@opg.com>

Cc: Feldman, Michael <mfeldman@torys.com>; Ramchandani, Rima <rramchandani@torys.com>; Emes, Aaron <aemes@torys.com>; Olusoga, Yinka <yolusoga@torys.com>; Saulnier, Brett <bsaulnier@torys.com>; Prado, Melissa <mprado@torys.com>; Dost, Mitchell <mdost@torys.com>; Mansoori, Nina <nmansoori@torys.com>

Subject: EXTERNAL – RE: Closing Mechanics - Fair Hydro

Importance: High

*** Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email. ***

Dear all – all parties have now confirmed that they are signed off on all applicable transaction documentation and that their respective opinions and signature pages will be automatically released tomorrow. On that basis, we are dispensing with the scheduled 9 am closing call. The necessary wires have been set up this evening and will be initiated as soon as possible in the morning in accordance with my email below. We look forward to tomorrow's closing and receiving the confirmations requested below. Thanks,

Nina Mansoori

P. 416.865.7332 | F. 416.865.7380 | 1.800.505.8679
79 Wellington St. W., 30th Floor, Box 270, TD South Tower
Toronto, Ontario M5K 1N2 Canada | www.torys.com

From: Mansoori, Nina
Sent: December-19-17 4:52 PM
To: 'dup-john.s.lee@opg.com' <john.s.lee@opg.com>; 'leslie.wong@opg.com' <leslie.wong@opg.com>; Mayman, Gadi (OFA) <Gadi.Mayman@ofina.on.ca>; Hunter, Rosalind <RHunter@osler.com>; 'Hanslep, Malle (MOF)' <Malle.Hanslep@ontario.ca>; ASHBOURNE, STEPHEN <STEPHEN.ASHBOURNE@blakes.com>; Whitfield, Tobias P. (MOF) <Tobias.Whitfield@ontario.ca>; Kandeepan, Ken (OFA) <Ken.Kandeepan@ofina.on.ca>; Manning, Mike (OFA) <Mike.Manning@ofina.on.ca>; Kwan, Ronald (OFA) <Ronald.Kwan@ofina.on.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; McKinlay, Tom (MAG) <Tom.McKinlay@ontario.ca>; VINER, JON <JON.VINER@blakes.com>; PRESTAGE, JA <JA.PRESTAGE@blakes.com>; Cayley, Daniel (ENERGY) <Daniel.Cayley@ontario.ca>; 'sheen.liu@opg.com' <sheen.liu@opg.com>; 'tyler.mcauley@opg.com' <tyler.mcauley@opg.com>; 'clara.greco@opg.com' <clara.greco@opg.com>; 'matthew.go@opg.com' <matthew.go@opg.com>; 'anthea.yao@opg.com' <anthea.yao@opg.com>; 'jenny.jorda@opg.com' <jenny.jorda@opg.com>; 'stuart.preston@opg.com' <stuart.preston@opg.com>; 'john.drewniak@opg.com' <john.drewniak@opg.com>; 'j.hahnparker@opg.com' <j.hahnparker@opg.com>; 'Alvi, Shariq' <Shariq.Alvi@cibc.com>; Innes, Michael <MInnes@osler.com>; 'Stoddart, Jesse - Debt Capital Markets' <Jesse.Stoddart@cibc.com>; 'Rix, Lindsey - Legal' <Lindsey.Rix@cibc.com>; 'Hume, Tyler' <Tyler.Hume@cibc.com>; 'Daou, Hadi' <Hadi.Daou@cibc.com>; 'Persad, Nicole' <Nicole.Persad@cibc.com>; 'mfitzpatrick@hunton.com' <mfitzpatrick@hunton.com>; 'aobrian@hunton.com' <aobrian@hunton.com>; Smith, Elliot <ESmith@osler.com>; King, Richard <rking@osler.com>; Royer, Kate <KRoyer@osler.com>; Hughes, Timothy <THughes@osler.com>; 'Adalja, Sunil' <Sunil.Adalja@cibc.com>; 'Persaud, Donnie - Debt Capital Markets' <Donnie.Persaud@cibc.com>; Sebastiano, Rocco <RSebastiano@osler.com>; 'Maciel, Andrew' <Andrew.Maciel@cibc.com>; 'Benaiah, Ian' <ian.benaiah@rbccm.com>; 'Khan, Nur' <nur.khan@rbccm.com>; ''Niehaus, Katrina' (Katrina.Niehaus@gs.com)' <Katrina.Niehaus@gs.com>; 'Delaney, Brian (Brian.Delaney@gs.com)' <Brian.Delaney@gs.com>; 'Conner, Robbin' <Robbin.Conner@gs.com>; 'Milligan, Peter' <PMilligan@osler.com>; Sebastiano, Rocco <RSebastiano@osler.com>; Fullerton, Rick <RFullerton@osler.com>; 'Lively, Pamela' <Pamela.Lively@bnymellon.com>; Adam, Ahmad <Ahmad.Adam@bnymellon.com>; Krowles, Geralyn <Geralyn.Krowles@BNYMellon.com>; Morris, Eleonore <Eleonore.Morris@bnymellon.com>; Peter Hamilton <PHamilton@stikeman.com>; Michael Boll <Michael.Boll@ieso.ca>; Anthony Martinello (Anthony.Martinello@ieso.ca) <Anthony.Martinello@ieso.ca>; Jeannette Briggs (jeannette.briggs@ieso.ca) <jeannette.briggs@ieso.ca>; kim.marshall@ieso.ca
Cc: Feldman, Michael <mfeldman@torys.com>; Ramchandani, Rima <rramchandani@torys.com>; Emes, Aaron <aemes@torys.com>; Olusoga, Yinka <yolusoga@torys.com>; Saulnier, Brett <bsaulnier@torys.com>; Prado, Melissa <mprado@torys.com>; Dost, Mitchell <mdost@torys.com>; Mansoori, Nina <nmansoori@torys.com>

Subject: Closing Mechanics - Fair Hydro
Importance: High

Dear all,

As you know we are closing the warehouse financing this coming Thursday, December 21 at 9 am. We have set out below the pre-closing and closing mechanics to ensure all parties know what to expect. Please let us know as soon as possible if you have any questions. Thank you.

Wednesday, December 20, 2017

- **by 10 am**, all legal counsel to deliver their client's signature pages and all signed legal opinions in escrow to Torys
- **by 10 am**, the Trust will be formed and Torys will provide the IESO with the necessary documentation to wire the carrying costs
- **by noon**, IESO will wire C$6,000,000 representing the carrying costs to the Collection Account and circulate a wire confirmation to this group
- Oslers, Stikemans and Blakes are welcome to attend the closing room at Torys from 1 pm onwards to review applicable documentation (or request that documentation by email)
- by close of business, Oslers, Stikemans, Blakes and Torys to confirm to their respective clients that the applicable documents are in satisfactory form and Oslers to confirm to lenders that all CPs to closing are satisfied (subject to OPG's funding of the subordinated debt and payment of lender fees)

Thursday, December 21, 2017

- this group will hold a call at 9 am so that each counsel can confirm release of their clients' signature pages from escrow (Torys to send a calendar invite with call-in details)
- OPG will wire C$117,900,000 representing the Junior Subordinated Debt proceeds to the IESO and circulate a wire confirmation to this group
- OPG will wire C$459,810,000 representing the Subordinated Debt proceeds to the IESO and circulate a wire confirmation to this group
- BNY will wire C$650,000 (for fees) to CIBC per the wire details on Schedule B of the attached global direction and circulate a wire confirmation to this group
- BNY will wire C$650,000 (for fees) to RBC per the wire details on Schedule B of the attached global direction and circulate a wire confirmation to this group
- BNY will wire C$300,000 (for fees) to Goldman per the wire details on Schedule B of the attached global direction and circulate a wire confirmation to this group
- Upon receipt of the tracking numbers for the two OPG wires and three BNY wires above:
    - CIBC will transfer C$244,274,062.50 to IESO per the wire details on Schedule A of the attached global direction
    - RBC will transfer C$244,274,062.50 to IESO per the wire details on Schedule A of the attached global direction
    - Goldman will transfer C$112,741,875.00 to IESO per the wire details on Schedule A of the attached global direction
- IESO to confirm to this group receipt of all wires sent to them above
- CIBC, RBC and Goldman to confirm to this group receipt of all fees wired above
- Oslers to circulate email to this group confirming closing of warehouse financing

Nina Mansoori

P. 416.865.7332

This email and any attachments are for the sole use of the intended recipients and may be privileged or confidential. Any distribution, printing or other use by anyone else is prohibited. If you are not an intended recipient, please contact the sender immediately, and permanently delete this email and attachments.

Le présent courriel et les documents qui y sont joints sont exclusivement réservés à l'utilisation des destinataires concernés et peuvent être de nature privilégiée ou confidentielle. Toute distribution, impression ou autre utilisation est interdite aux autres personnes. Si vous ne faites pas partie des destinataires concernés, veuillez en informer immédiatement l'expéditeur, ainsi que supprimer ce courriel et les documents joints de manière permanente.

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and may contain information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply email and permanently delete this message including any attachments, without reading it or making a copy.

You are receiving this email because our records show that you have a relationship with one or more of the CIBC Capital Markets lines of business of Canadian Imperial Bank of Commerce (CIBC) or CIBC World Markets Inc., which includes Investment and Corporate Banking and Global Markets. If you believe you are receiving this message in error or you no longer wish to receive electronic messages from us, you may unsubscribe at any time. If you experience challenges with the unsubscribe link, reply to this email with the Subject Line "Unsubscribe" and Cc: Mailbox.CASLUnsubscribe@cibc.com. Please note that by selecting unsubscribe, we will only be able to send you emails that are required or permitted by law. Our mailing address is : CIBC CASL Unsubscribe, 161 Bay St, 9th Floor, Toronto, Ontario, M5J 2W5

This email is intended only for the use of the individual(s) to whom it is addressed and may be privileged and confidential.
Unauthorised use or disclosure is prohibited. If you receive this e-mail in error, please advise immediately and delete the original message.
This message may have been altered without your or our knowledge and the sender does not accept any liability for any errors or omissions in the message.

Ce courriel est confidentiel et protégé. L'expéditeur ne renonce pas aux droits et obligations qui s'y rapportent.
Toute diffusion, utilisation ou copie de ce message ou des renseignements qu'il contient par une personne autre que le (les) destinataire(s) désigné(s) est interdite.
Si vous recevez ce courriel par erreur, veuillez m'en aviser immédiatement, par retour de courriel ou par un autre moyen.

See the http://www.gs.com/disclaimer/afg/[gs.com] for important information regarding this message and your reliance on information contained in it. This message may contain information that is confidential or privileged. If you are not the intended recipient, please advise

the sender immediately and delete this message. See the http://www.gs.com/disclaimer/email/[gs.com] for further information on confidentiality and the risks inherent in electronic communication.

This email and any attachments are for the sole use of the intended recipients and may be privileged or confidential. Any distribution, printing or other use by anyone else is prohibited. If you are not an intended recipient, please contact the sender immediately, and permanently delete this email and attachments.

Le présent courriel et les documents qui y sont joints sont exclusivement réservés à l'utilisation des destinataires concernés et peuvent être de nature privilégiée ou confidentielle. Toute distribution, impression ou autre utilisation est interdite aux autres personnes. Si vous ne faites pas partie des destinataires concernés, veuillez en informer immédiatement l'expéditeur, ainsi que supprimer ce courriel et les documents joints de manière permanente.

This email is intended only for the use of the individual(s) to whom it is addressed and may be privileged and confidential.
Unauthorised use or disclosure is prohibited. If you receive this e-mail in error, please advise immediately and delete the original message.
This message may have been altered without your or our knowledge and the sender does not accept any liability for any errors or omissions in the message.

Ce courriel est confidentiel et protégé. L'expéditeur ne renonce pas aux droits et obligations qui s'y rapportent.
Toute diffusion, utilisation ou copie de ce message ou des renseignements qu'il contient par une personne autre que le (les) destinataire(s) désigné(s) est interdite.
Si vous recevez ce courriel par erreur, veuillez m'en aviser immédiatement, par retour de courriel ou par un autre moyen.

See the http://www.gs.com/disclaimer/afg/[gs.com] for important information regarding this message and your reliance on information contained in it. This message may contain information that is confidential or privileged. If you are not the intended recipient, please advise the sender immediately and delete this message. See the http://www.gs.com/disclaimer/email/[gs.com] for further information on confidentiality and the risks inherent in electronic communication.

This email and any attachments are for the sole use of the intended recipients and may be privileged or confidential. Any distribution, printing or other use by anyone else is prohibited. If you are not an intended recipient, please contact the sender immediately, and permanently delete this email and attachments.

Le présent courriel et les documents qui y sont joints sont exclusivement réservés à l'utilisation des destinataires concernés et peuvent être de nature privilégiée ou confidentielle. Toute distribution, impression ou autre utilisation est interdite aux autres personnes. Si vous ne faites pas partie des destinataires concernés, veuillez en informer immédiatement l'expéditeur, ainsi que supprimer ce courriel et les documents joints de manière permanente.

From: John Kim
To: Tim Christie (ENERGY)
Subject: FW: EXTERNAL – RE: Waiver Process
Date: Thursday, January 04, 2018 4:50:50 PM

Hey Tim,

Let me know if you have any follow-up on this. If needed to go there, don't believe our guys had a view either way on the waiver.

John

-----Original Message-----
From: Ken Kandeepan
Sent: Thursday, January 04, 2018 4:25 PM
To: Tim Christie (ENERGY) <Tim.Christie@ontario.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; John Kim <John.Kim@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: EXTERNAL – RE: Waiver Process

FYI, looks like the waiver is not an issue now.

Thanks

Ken k

-----Original Message-----
From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: Thursday, January 04, 2018 4:08 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Steen Hume (CAB) <Steen.Hume@ontario.ca>
Subject: FW: EXTERNAL – RE: Waiver Process

Ken/Steen:

Just a bit of an update, it appears that DBRS is unlikely to hit the earlier 15th date.
It is looking more likely that the marketing launch will fall back to the original target date of the 22nd.

John

-----Original Message-----
From: LEE John -TREASURY
Sent: Thursday, January 04, 2018 12:18 PM
To: 'Ken Kandeepan' <Ken.Kandeepan@ofina.on.ca>
Cc: WONG Leslie -LAWDIV <leslie.wong@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Mike Manning <Mike.Manning@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; David McLean (MOF) <David.McLean@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Jonathan Tekle (CAB) <Jonathan.Tekle@ontario.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Steen Hume (CAB) <Steen.Hume@ontario.ca>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca>
Subject: RE: EXTERNAL – RE: Waiver Process

Ken/Steen:
We are operating under the assumption that it was the Province desire to execute the term deal as early as possible in 2018 which would involve a launch on the 15th. If the preference is now to adhere to the 10 business day requirement and not waive it we are happy to do so and commence marketing later in the month on the 22nd.

Please advise and we will adjust the work plan accordingly.

John

-----Original Message-----
From: Ken Kandeepan [mailto:Ken.Kandeepan@ofina.on.ca]
Sent: Thursday, January 04, 2018 9:36 AM
To: LEE John -TREASURY <john.s.lee@opg.com>
Cc: WONG Leslie -LAWDIV <leslie.wong@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Mike Manning <Mike.Manning@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; David McLean (MOF) <David.McLean@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Jonathan Tekle (CAB) <Jonathan.Tekle@ontario.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Steen Hume (CAB) <Steen.Hume@ontario.ca>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca>
Subject: EXTERNAL – RE: Waiver Process

*** Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email. *** _____

Hi John

I spoke to our DM's office and Scott's email is Scott.Thompson@ontario.ca, As required by the Process Agreement between the Province and OPG, pls forward the documents pertaining to the upcoming term deal by email to Scott with a cc to the following:

Gadi Mayman, Anna Strathy, David McLean (cc'ed above), Jonathan Tekle (also cc'ed above), Mike and myself.

Given that the Process Agreement requires OPG to also provide the same documents to MOE, I am cc'ing Steen and Tim so that they can inform their DM's Office as well.

With regard to the waiver, pls see Malle's comments below, it would also be useful if OPG were to provide a rationale as to why waiving the 10 business days requirement which may allow for term debt issuance in mid-January by the Trust is more beneficial than issuance either later in the same month or early February.

Thanks

Ken k

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Wednesday, January 03, 2018 8:45 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; LEE John -TREASURY <john.s.lee@opg.com>
Cc: WONG Leslie -LAWDIV <leslie.wong@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Mike Manning <Mike.Manning@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Thouin, Alena (ENERGY)

<Alena.Thouin@ontario.ca>
Subject: Re: Waiver Process

It would be very helpful if OPG and Torys could provide to us a timetable and schedule for delivery of reference documents that are being prepared and when do we expect to get them and when is the proposed issuance. On that basis we can review the timing and determine whether a waiver will be necessary and if it is how it might be processed. Unfortunately we haven't received any updates or draft documents since the closing of the warehouse deal. Also is there a plan for distributing to the Province the documents from the warehouse closing?
Thanks

Malle
Sent from my BlackBerry 10 smartphone on the Rogers network.
From: Ken Kandeepan
Sent: Wednesday, January 3, 2018 20:04
To: LEE John -TREASURY
Cc: WONG Leslie -LAWDIV; LADAK Lubna -TREASURY; LAURETA LAPIRA May -TREASURY; RYFA Ken -TREASURY; Manning, Mike (OFA); Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); Strathy, Anna (OFA)
Subject: Re: Waiver Process

Thanks, didn't realize that all waivers have to be signed by the respective ministers, which as you know is difficult on an operational basis.

I am cc'ing our legal counsel to see if they have any suggestions.

Ken k

On Jan 3, 2018, at 5:57 PM, LEE John -TREASURY <john.s.lee@opg.com<mailto:john.s.lee@opg.com>> wrote:

Ken:

Given the importance of the Protection agreement and the desire to follow it to the "letter" ……see Torys comments below. Have you made provisions on the Province side to operationalize the delegation of waivers and amendments to facilitate the request. If not then the debt issuance date will get pushed out by the full 10 days.

Please advise.

John

From: Ramchandani, Rima [mailto:rramchandani@torys.com]
Sent: Wednesday, January 03, 2018 5:38 PM
To: LEE John -TREASURY <john.s.lee@opg.com<mailto:john.s.lee@opg.com>>
Cc: Feldman, Michael <mfeldman@torys.com<mailto:mfeldman@torys.com>>; WONG Leslie -LAWDIV <leslie.wong@opg.com<mailto:leslie.wong@opg.com>>; LADAK Lubna -TREASURY <lubna.ladak@opg.com<mailto:lubna.ladak@opg.com>>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com<mailto:may.lapira@opg.com>>; RYFA Ken -TREASURY <ken.ryfa@opg.com<mailto:ken.ryfa@opg.com>>; GO Matthew -TREASURY <matthew.go@opg.com<mailto:matthew.go@opg.com>>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com<mailto:j.hahnparker@opg.com>>
Subject: RE: EXTERNAL – RE: Diligence Questions

I should add that the waiver of the 10 BD requirement needs to be executed in writing by the Province (which means we will need signatures from each Minister). Will that be achievable? If not, perhaps we can proceed on the basis of an email waiver with the waiver signed by the Ministers to follow as soon as possible. Sorry but it is going to be a

pain in the butt navigating through this agreement … hopefully the Province will realize that and agree to make some amendments!

Rima

Rima Ramchandani

P. 416.865.7666 | F. 416.865.7380 | 1.800.505.8679
From: Ramchandani, Rima
Sent: January-03-18 5:32 PM
To: 'LEE John -TREASURY' <john.s.lee@opg.com<mailto:john.s.lee@opg.com>>
Cc: Feldman, Michael <mfeldman@torys.com<mailto:mfeldman@torys.com>>; WONG Leslie -LAWDIV <leslie.wong@opg.com<mailto:leslie.wong@opg.com>>; LADAK Lubna -TREASURY <lubna.ladak@opg.com<mailto:lubna.ladak@opg.com>>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com<mailto:may.lapira@opg.com>>; RYFA Ken -TREASURY <ken.ryfa@opg.com<mailto:ken.ryfa@opg.com>>; GO Matthew -TREASURY <matthew.go@opg.com<mailto:matthew.go@opg.com>>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com<mailto:j.hahnparker@opg.com>>
Subject: RE: EXTERNAL – RE: Diligence Questions

OK. I assume the DM of Finance will sign off on behalf of the Minister of Finance. But what about the Minister of Energy? The agreement requires notices to both Ministers on behalf of the Province and I recall on the warehouse closing, we had to wait for a representative from each Ministry to sign off.

Rima

Rima Ramchandani

P. 416.865.7666

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: January-03-18 5:24 PM
To: Ramchandani, Rima <rramchandani@torys.com<mailto:rramchandani@torys.com>>
Cc: Feldman, Michael <mfeldman@torys.com<mailto:mfeldman@torys.com>>; WONG Leslie -LAWDIV <leslie.wong@opg.com<mailto:leslie.wong@opg.com>>; LADAK Lubna -TREASURY <lubna.ladak@opg.com<mailto:lubna.ladak@opg.com>>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com<mailto:may.lapira@opg.com>>; RYFA Ken -TREASURY <ken.ryfa@opg.com<mailto:ken.ryfa@opg.com>>; GO Matthew -TREASURY <matthew.go@opg.com<mailto:matthew.go@opg.com>>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com<mailto:j.hahnparker@opg.com>>
Subject: RE: EXTERNAL – RE: Diligence Questions

I was speaking to Ken Kandeepan on the process this afternoon and he indicated to me that we should send the documents and the waiver request to the Deputy Minister of Finance with a cc. Gadi. Ken was going to send along the contact info for the DM of Finance and also alert their Office of the inbound email so they would not be surprised.

John

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the

intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

From:	John Kim
To:	Shajee Kathirgamanathan; Gavin He
Subject:	FW: FHP Calculation *DRAFT*
Date:	Tuesday, April 24, 2018 2:34:58 PM
Attachments:	OFHP supporting data for OFA_v0.1._EFB-FinancingPlanUpdate.xlsx

Could you update this with the latest?

Thanks,

John

From: Shajee Kathirgamanathan
Sent: Thursday, April 19, 2018 2:54 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Updated with Peak Debt

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Shajee Kathirgamanathan
Sent: Thursday, April 19, 2018 2:35 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: FHP Calculation *DRAFT*

I'll come by to discuss.

Thanks,
Shajee

Shajee Kathirgamanathan
Senior Advisor
Electricity Finance Branch, Corporate and Electricity Finance Division
Ontario Financing Authority
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

NOTE: *Draft version for Comment. Inputs and assumptions may not be consistent with best information available.*

Attempted Recreation of Energy's Octo

INPUTS:

Calculation for Scenario Analysis		
Provincial Borrowing	3.66%	*<-- Change this number to test differ*
Basis Points	00 bp	*<-- Number used for scenario analys*
Total (Interest Rate)	3.6602%	
Model Circularity	ON	

OUTPUTS:

Interest Calculation		
Interest Rate:	3.66%	
Year Interest Payments Stop:	~~2047~~	*<-- To Be Update*
Total Interest Paid:	11,088	*NOTE: Calculations do not match En*
Peak Debt:	18,485	

SENSITIVITIES: *Determine sensitivites at various rates*

		Total Interest Paid
Provincial Borrowing	Provincial Borrowing +	Provincial Borrowing +
11,088	0 bp	30 bp
3.12%	8,542	9,885
3.50%	10,275	11,857
3.75%	11,578	13,362
4.00%	13,047	15,075
4.25%	14,716	17,030
4.50%	16,619	19,200

Sensitivites and difference compared to provincial borrowing

	Difference in Interest Paid Compared to Provin	
	Provincial Borrowing + 0 bp	Provincial Borrowing + 30 bp
3.12%	-	1,343
3.50%	-	1,582
3.75%	-	1,784
4.00%	-	2,028
4.25%	-	2,314
4.50%	-	2,580

ISSUANCE ANALYSIS:

		Weighted Average Borrowing Calcul
Tranche A - Senior Debt	51%	FHT:
Tranche B - Sub Debt	39%	OPG via Province
Tranche C - Jr. Sub Debt	10%	OPG via Province & Cap Mkts

WEIGHTED AVERAGE:

FHT Weighted Average Rate:	3.660%
FHT Interest Paid	11,088
Peak Debt:	18,485
Provincial Borrowing at Issuance:	3.20% *Source: OFA*
Provincial Interest Paid:	8,887
Peak Debt:	17,752
Difference in Interest Paid:	**2,201**
Difference in Peak Debt:	**733**

ɔber 19 Analysis by EFB

ɾent interest rates
ɨs

ergy's methodology exactly in Developing FAA/RA. Subject to updates and refinement.

Provincial Borrowing + 40 bp	Provincial Borrowing + 50 bp
10,374	10,879
12,432	13,047
14,017	14,716
15,821	16,619
17,874	18,750
20,124	21,083

cial Borrowing:	
Provincial Borrowing + 40 bp	Provincial Borrowing + 50 bp
1,832	2,337
2,156	2,771
2,439	3,138
2,774	3,573
3,158	4,034
3,505	4,464

ation	
3.520%	*Source: Debt Issuance*
3.74%	*Source: National Bank of Canada - Indicative Pricing (20yr)*
4.04%	*Source: National Bank of Canada - Indicative Pricing (20yr)*

3.660%

INPUTS:

Calculation for Scenario Analysis	
Provincial Borrowing	4.50%
Basis Points	00 bp
Total (Interest Rate)	4.50%

OUTPUTS:

Interest Calculation	
Interest Rate:	4.50%
Year Interest Payments Stop:	2047
Total Interest Paid:	14,308
Peak Debt:	17,612
Annual Paydown Amount:	(1,278)

SCENARIOS:

	3.12%	
Interest Rate:	3.12%	
Year Interest Payments Stop:	2047	
Total Interest Paid:	9,038	
Peak Debt:	16,348	
Annual Paydown Amount:	(1,038)	
Difference in Interest Paid:		1,4

Scenario Analysis with EFB Model

3.12% + 40bp	4.50%	4.5% + 50bp
3.52%	4.50%	5.00%
2047	2047	2047
10,477	14,308	16,438
16,705	17,612	18,093
(1,104)	(1,278)	(1,375)
39	2,130	

OFHP debt and interest projections, by calendar year

$ nominal million	2017
FAA w/ Interest, Fees, Readjustment Principle Recovery, Readjustment*	(1,396)
Interest Paid	32
Closing Debt Balance	1,428

*Delta between IESO GA cost forecast and Total GA paid by ratepayer, inclusive of interest
Notes: model assumes interest rate of 4.5% and data is exclusive of OPG financing fees

Date: October 19, 2017
Source: Ministry of Energy

Attempted recreation by EFB ($ nominal Million)

Interest:
Year Interest Payments Stop:
Total Interest Paid - Positive:
Peak Debt:

	2017
*FAA w/ Interest, Fees, Readjustment Principle Recovery, Readjustment** ***(Exactly from above)***	1,396
Interest Paid (attempted recreation) [EFB Calculation]	26
Closing Debt Balance [EFB Calculation]	1,422

-6.11

Attempted recreation and extrapolation by EFB ($ nominal Million)

Interest:
Year Interest Payments Stop:
Total Interest Paid - Positive:
Peak Debt:

2017

*FAA w/ Interest, Fees, Readjustment Principle Recovery, Readjustment**	
(Exactly from above)	1,396
Reduction	
Opening Debt:	0
IN YEAR ANALYSIS	
In-Year Interest:	29
In-Year Accumulated Debt (Excl Interest):	1,396
In-Year - End Debt:	1,425
Debt Interest from Prior Year:	0
Total Accumulated Interest:	29
Accumulated Debt:	1,396
Debt Reduction:	
Closing Debt:	1,425

	2018	2019	2020	2021	2022
	(2,189)	(2,296)	(2,414)	(2,204)	(1,700)
	116	225	343	466	577
	3,734	6,254	9,011	11,681	13,958

3.66%
2047
11,088
18,485

	2018	**2019**	**2020**	**2021**	**2022**
	2,189	2,296	2,414	2,204	1,700
					Additional Borrowing/F
	94	181	275	372	458
	3,705	6,182	8,871	11,447	13,605
	-28.42	***-72.19***	***-140.17***	***-233.90***	***-352.28***

4.50%
2047
14,308
17,612

	2018	**2019**	**2020**	**2021**	**2022**

2,189	2,296	2,414	2,204	1,700
1,425	3,724	6,235	8,980	11,634
46	48	50	46	36
2,189	2,296	2,414	2,204	1,700
2,235	2,344	2,464	2,250	1,736
64	168	281	404	524
110	216	331	450	559
3,614	6,020	8,649	11,184	13,334
3,724	6,235	8,980	11,634	13,894

2023	2024	2025	2026	2027
(1,050)	(492)	(61)	79	129
667	733	778	814	851
15,674	16,899	17,677	18,491	19,342

2023	**2024**	**2025**	**2026**	**2027**
1,050	492	61	(79)	(129)
	Cross Over Point:	(61)		
	Borrrowing Still Required:		79	129
Repayments [Reason Unknown, Plug]:				
527	575	606	628	652
15,182	16,249	16,855	17,484	18,136
-492.16	***-649.83***	***-821.94***	***-1007.29***	***-1206.66***

2023	**2024**	**2025**	**2026**	**2027**

1,050	492	61		
			-1278	-1278
13,894	15,591	16,794	17,612	17,127
22	10	1	0	0
1,050	492	61	0	0
1,072	502	62	0	0
625	702	756	793	771
647	712	757	793	771
14,944	16,083	16,855	17,612	17,127
			(1,278)	(1,278)
15,591	16,794	17,612	17,127	16,620

2028	2029	2030	2031	2032
354	714	1,251	1,188	1,348
883	896	888	872	854
19,904	19,904	19,541	19,226	18,732

2028	**2029**	**2030**	**2031**	**2032**
(354)	(714)	(1,251)	(1,188)	(1,348)
33.45	(182)			
670	673	658	637	613
18,485	18,262	17,669	17,117	16,383
-1419.51	***-1642.71***	***-1872.67***	***-2108.30***	***-2349.26***

2028	**2029**	**2030**	**2031**	**2032**

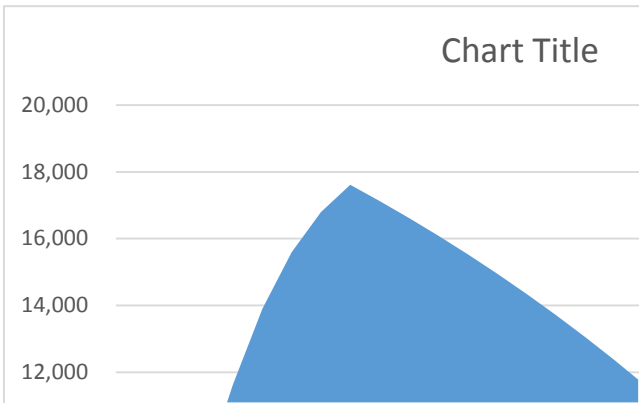
-1278	-1278	-1278	-1278	-1278
16,620	16,090	15,537	14,958	14,354
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
748	724	699	673	646
748	724	699	673	646
16,620	16,090	15,537	14,958	14,354
(1,278)	(1,278)	(1,278)	(1,278)	(1,278)
16,090	15,537	14,958	14,354	13,722

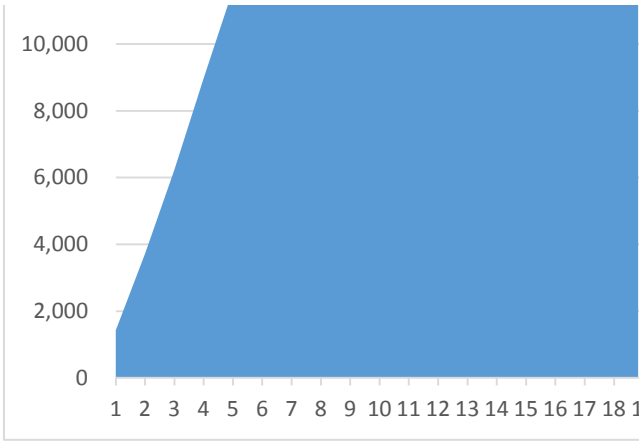
2033	2034	2035	2036	2037
1,419	1,901	2,087	2,128	2,062
830	791	736	673	607
18,143	17,033	15,682	14,227	12,773

2033	**2034**	**2035**	**2036**	**2037**
(1,419)	(1,901)	(2,087)	(2,128)	(2,062)
584	544	490	430	368
15,548	14,192	12,595	10,897	9,202
-2594.57	***-2841.76***	***-3087.64***	***-3330.69***	***-3570.36***

2033	**2034**	**2035**	**2036**	**2037**

-1278	-1278	-1278	-1278	-1278
13,722	13,062	12,372	11,651	10,897
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
617	588	557	524	490
617	588	557	524	490
13,722	13,062	12,372	11,651	10,897
(1,278)	(1,278)	(1,278)	(1,278)	(1,278)
13,062	12,372	11,651	10,897	10,110




10,000
8,000
6,000
4,000
2,000
0
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 1

2038	2039	2040	2041	2042
2,099	1,796	1,527	1,392	1,379
540	475	420	372	326
11,214	9,893	8,786	7,766	6,713

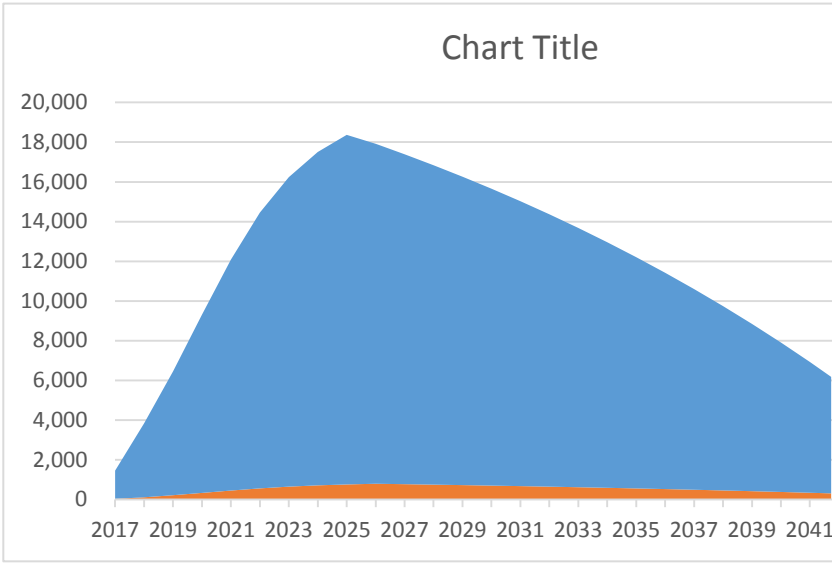


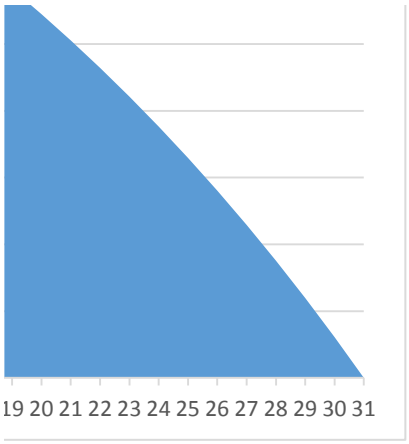
2038	**2039**	**2040**	**2041**	**2042**
(2,099)	(1,796)	(1,527)	(1,392)	(1,379)
304	243	190	142	96
7,408	5,854	4,517	3,267	1,985
-3806.07	***-4038.25***	***-4268.71***	***-4498.66***	***-4728.32***



2038	**2039**	**2040**	**2041**	**2042**

-1278	-1278	-1278	-1278	-1278
10,110	9,287	8,427	7,529	6,590
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
455	418	379	339	297
455	418	379	339	297
10,110	9,287	8,427	7,529	6,590
(1,278)	(1,278)	(1,278)	(1,278)	(1,278)
9,287	8,427	7,529	6,590	5,609




19 20 21 22 23 24 25 26 27 28 29 30 31

2043	2044	2045	2046	2047
1,310	1,341	1,357	1,526	2,034
279	231	179	121	45
5,682	4,571	3,394	1,989	0

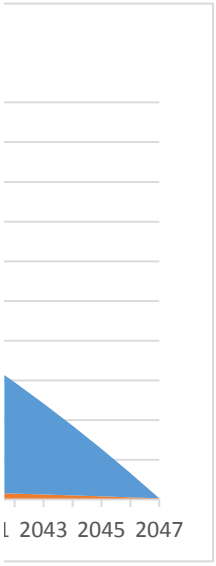


2043	**2044**	**2045**	**2046**	**2047**
(1,310)	(1,341)	(1,357)	(1,526)	(2,034)
50	2	(48)	(104)	(174)
724	(615)	(2,020)	(3,650)	(5,857)
-4957.63	***-5186.32***	***-5413.76***	***-5638.63***	***-5857.37***



2043	**2044**	**2045**	**2046**	**2047**	**2048**	**2049**

-1278	-1278	-1278	-1278	-1278	-1278	-1278
5,609	4,584	3,512	2,393	1,223	0	(1,278)
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
252	206	158	108	55	0	(57)
252	206	158	108	55	0	(57)
5,609	4,584	3,512	2,393	1,223	0	(1,278)
(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)
4,584	3,512	2,393	1,223	0	(1,278)	(2,613)



2050	2051	2052	2053	2054	2055	2056	2057	2058

-1278	-1278	-1278	-1278	-1278	-1278	-1278	-1278	-1278
(2,613)	(4,008)	(5,466)	(6,990)	(8,582)	(10,246)	(11,985)	(13,802)	(15,700)
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
(118)	(180)	(246)	(315)	(386)	(461)	(539)	(621)	(707)
(118)	(180)	(246)	(315)	(386)	(461)	(539)	(621)	(707)
(2,613)	(4,008)	(5,466)	(6,990)	(8,582)	(10,246)	(11,985)	(13,802)	(15,700)
(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)
(4,008)	(5,466)	(6,990)	(8,582)	(10,246)	(11,985)	(13,802)	(15,700)	(17,685)

2059	2060	2061	2062	2063	2064	2065

-1278	-1278
(17,685)	(19,758)
0	0
0	0
0	0
(796)	(889)
(796)	(889)
(17,685)	(19,758)
(1,278)	(1,278)
(19,758)	(21,925)

Instructions: An updated projection of the annual cost of the refinancing portion of the Fa

Please contact Matt Gurham (mgurham@fao-on.org) if assistance is required.

Actual and Projected Annual Global Adjustment (GA) Deferral and Repayment Amount Cash Flows

$ millions
IESO forecast Global Adjustment cost *
Global Adjustment payment from ratepayer **

* Represents total GA prior to OFHP based on IESO's forecast of total GA for all customers (2017-203
** Represents total OFHP costs recovered from consumers, including deferral of GA and recovery of

Provincial Actual and Projected Fair Hydro Plan Debt

$ millions
Amount borrowed/paid-back in given year***
Interest**** ~~on accumulated debt from previous year~~
Accumulated Debt

***Values represent deferral of GA costs and recovery of principal.
****Interest is calculated based on the average debt balance for the year and a 5 per cent interest ra
This data was used to inform the Minister's letter to OPG.

OPG Actual and Projected Fair Hydro Plan Debt

$ million
Amount borrowed/paid-back in given year
Interest on accumulated debt from previous year
Accumulated Debt

Equity Injection Comparisons

Revised Annual Borrowings
Equity Injection (44%)

Revised Equity Injections - Fiscalized
EFB Equity Injection Calculation based on FAA (September 28 2017 Letter)
Variance

IOD Comparisons

Revised Equity Injections - Fiscalized
OEP forecast as of Feb 6, 2018
Interest Rate Forecast

IOD
2017-18
2018-19
2019-20
2020-21
Total Estimated IOD Impact

EFB Equity Injection Calculation based on FAA (September 28 2017 Letter)
OEP forecast as of Feb 6, 2018
Interest Rate Forecast

IOD
2017-18
2018-19
2019-20
2020-21
Total Estimated IOD Impact

Variance in IOD Impacts

ıir Hydro Plan.

2017	2018	2019	2020	2021	2022	2023
10,078	10,144	10,801	10,576	9,671	9,471	8,733
8,682	7,955	8,505	8,162	7,467	7,771	7,683

:5) which informed the 2017 LTEP, converted by the Ministry from $2017 to $nominal by assuming 2% CPI
principal, interest and fees.

2017	2018	2019	2020	2021	2022	2023
-1,448	-2,322	-2,553	-2,808	-2,740	-2,363	-1,819
52	133	257	394	536	663	769
1,448	3,770	6,323	9,131	11,871	14,234	16,053

ate over the 30-year life of the program, and includes associated fees.

2017	2018	2019	2020	2021	2022	2023

2017	2018	2019	2020	2021	2022	2023
1,448	2,322	2,553	2,808	2,740	2,363	1,819
637	1022	1123	1235	1206	1040	800

2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
893	1047	1151	1228	1164	980	748
853	979	1023	1035	911	675	402
40	69	128	193	253	305	346

2017-18	2018-19	2019-20	2020-21
893	1,047	1,151	1,228
rrowing Rate	OEP	OEP	20-Year Average
2.4%	3.4%	4.0%	4.4%
11	21	21	21
	18	35	35
		23	46
			27
11	**39**	**80**	**130**
853	979	1,023	1,035
rrowing Rate	OEP	OEP	20-Year Average
2.4%	3.4%	4.0%	4.4%
10	20	20	20
	16	33	33
		21	41
			23
10	**37**	**74**	**117**
0	**2**	**6**	**13**

2024	2025	2026	2027	2028	2029	2030
9,917	8,924	9,908	10,169	10,300	9,978	9,472
9,425	8,924	9,908	10,169	11,297	11,009	10,877

and extrapolated post-2035 based on the average rate of change between 2026-2035.

2024	2025	2026	2027	2028	2029	2030
-1,342	-907	-954	-1,004	-33	0	385
850	907	954	1,004	1,030	1,031	1,021
17,395	18,301	19,255	20,259	20,292	20,292	19,907

2024	2025	2026	2027	2028	2029	2030

2024	2025	2026	2027	2028	2029	2030
1,342	907	954	1,004	33	0	-385
590	399	420	442	15	0	-169

2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
542	404	425	335	11	-42	-164
152	-51	-112	-159	-270	-444	-604
390	455	537	494	281	402	440

2031	2032	2033	2034	2035	2036	2037
8,449	8,344	7,445	6,252	4,771	4,417	4,089
9,789	9,840	9,009	8,291	6,988	6,666	6,262

2031	2032	2033	2034	2035	2036	2037
337	515	611	1,131	1,372	1,477	1,476
1,003	981	952	908	845	772	697
19,570	19,055	18,444	17,313	15,941	14,464	12,988

2031	2032	2033	2034	2035	2036	2037

2031	2032	2033	2034	2035	2036	2037
-337	-515	-611	-1,131	-1,372	-1,477	-1,476
-148	-227	-269	-498	-604	-650	-650

2031-32	2032-33	2033-34	2034-35	2035-36	2036-37	2037-38
-168	-237	-326	-524	-615	-650	-661
-609	-664	-745	-913	-977	-980	-960
442	427	419	389	362	330	299

2038	2039	2040	2041	2042	2043	2044
3,785	3,504	3,244	3,003	2,780	2,574	2,383
5,985	5,392	4,855	4,474	4,230	3,948	3,780

2038	2039	2040	2041	2042	2043	2044
1,580	1,343	1,128	1,041	1,075	1,053	1,132
620	545	483	429	375	321	265
11,408	10,065	8,937	7,895	6,821	5,768	4,636

2038	2039	2040	2041	2042	2043	2044

2038	2039	2040	2041	2042	2043	2044
-1,580	-1,343	-1,128	-1,041	-1,075	-1,053	-1,132
-695	-591	-496	-458	-473	-463	-498

2038-39	2039-40	2040-41	2041-42	2042-43	2043-44	2044-45
-669	-567	-487	-462	-470	-472	-505
-930	-801	-695	-646	-629	-608	-615
261	234	208	184	159	137	110

2045	2046	2047	2048
2,206	2,042	1,891	1,750
3,611	3,608	3,952	1,750

2045	2046	2047	2048
1,199	1,427	2,010	0
206	139	51	0
3,437	2,010	0	0

2045	2046	2047	2048

2045	2046	2047	2048
-1,199	-1,427	-2,010	0
-528	-628	-885	0

2045-46	2046-47	2047-48
-553	-692	-663
-637	-748	-675
85	56	11

Actual and Projected Annual Global Adjustment (GA) Deferral and Repayme

$ millions	**2017**	**2018**
IESO forecast Global A	10,078	10,144
Global Adjustment pay	8,682	7,955

* Represents total GA prior to OFHP based on IESO's forecast of total GA for a
** Represents total OFHP costs recovered from consumers, including deferral

Deferral	1,396	2,189
	52	133
Annual Borrowings	1,448	2,322
TOTAL	1,448	3,770
	0.03719145	0.060789592
	0.035857845	0.035294613
	0.03719145	0.036585899
	0.0358578446	0.0510000000
	0.0371914498	0.0537407798
	0.0371914498	0.0523345305
	5%	
Recalculation	1,396	2,189
	52	130
	1,448	2,319
	1,448	3,768

nt Amount Cash Flows

2019	2020	2021	2022
10,801	10,576	9,671	9,471
8,505	8,162	7,467	7,771

ll customers (2017-2035) which informed the 2017 LTEP, converted by the Ministry from $2017 to $nominal by
of GA and recovery of principal, interest and fees.

2,296	2,414	2,204	1,700
257	394	536	663
2,553	2,808	2,740	2,363
6,323	9,131	11,871	14,234
0.112122144	0.163279846	0.242946991	0.390032973
0.040704571	0.043159126	0.045114332	0.046583166
0.042431736	0.045105856	0.047245794	0.048859181
0.0510000000	0.0510000000	0.0510000000	0.0508000000
0.0537407798	0.0537407798	0.0537407798	0.0535187526
0.0523345305	0.0523345305	0.0523345305	0.0521239483
	0.050837963		
2,296	2,414	2,204	1,700
252	386	524	651
2,548	2,799	2,728	2,351
6,315	9,115	11,843	14,194

2023	2024	2025	2026
8,733	9,917	8,924	9,908
7,683	9,425	8,924	9,908

y assuming 2% CPI and extrapolated post-2035 based on the average rate of change between 2026-2035.

1,050	492	0	0
769	850	907	954
1,819	1,342	907	954
16,053	17,395	18,301	19,255
0.73265484	1.72677531	#DIV/0!	#DIV/0!
0.047921434	0.048841011	0.049541642	0.049541642
0.050333487	0.051348946	0.052123948	0.052123948
0.0508000000	0.0508000000	0.0508000000	0.0508000000
0.0535187526	0.0535187526	0.0535187526	0.0535187526
0.0521239483	0.0521239483	0.0521239483	0.0521239483
1,050	492	0	0
755	833	888	934
1,805	1,325	888	934
15,999	17,324	18,212	19,146

2027	2028	2029	2030
10,169	10,300	9,978	9,472
10,169	11,297	11,009	10,877

0	-997	-1,031	-1,406
1,004	1,030	1,031	1,021
1,004	33	0	-385
20,259	20,292	20,292	19,907
#DIV/0!	-1.033303874	-1	-0.726329513
0.052123948	0.053472634	0.053518753	0.054063854
0.0508000000	0.0508000000	0.0508000000	0.0508000000
0.0535187526	0.0535187526	0.0535187526	0.0535187526
0.0521239483	0.0521239483	0.0521239483	0.0521239483
0	-997	-1,031	-1,406
982	1007	1006	995
982	10	-25	-410
20,128	20,138	20,113	19,703

2031	2032	2033	2034
8,449	8,344	7,445	6,252
9,789	9,840	9,009	8,291

-1,340	-1,496	-1,564	-2,039
1,003	981	952	908
-337	-515	-611	-1,131
19,570	19,055	18,444	17,313
-0.748423197	-0.655724615	-0.609140601	
0.054004521	0.054281378	0.054453742	0.055363212
0.0508000000	0.0508000000	0.0508000000	0.0508000000
0.0535187526	0.0535187526	0.0535187526	0.0535187526
0.0521239483	0.0521239483	0.0521239483	0.0521239483
-1,340	-1,496	-1,564	-2,039
976	953	924	879
-364	-543	-640	-1,160
19,339	18,796	18,156	16,996

2035	2036	2037	2038
4,771	4,417	4,089	3,785
6,988	6,666	6,262	5,985

-2,217	-2,249	-2,173	-2,200
845	772	697	620
-1,372	-1,477	-1,476	-1,580
15,941	14,464	12,988	11,408

0.055951526			
0.0508000000	0.0508000000	0.0508000000	0.0508000000
0.0535187526	0.0535187526	0.0535187526	0.0535187526
0.0521239483	0.0521239483	0.0521239483	0.0521239483

-2,217	-2,249	-2,173	-2,200
815	742	667	589
-1,402	-1,507	-1,507	-1,611
15,594	14,087	12,580	10,968

2039	2040	2041	2042
3,504	3,244	3,003	2,780
5,392	4,855	4,474	4,230

-1,888	-1,611	-1,471	-1,450
545	483	429	375
-1,343	-1,128	-1,041	-1,075
10,065	8,937	7,895	6,821

0.0508000000	0.0508000000	0.0510000000	0.0510000000
0.0535187526	0.0535187526	0.0537407798	0.0537407798
0.0521239483	0.0521239483	0.0523345305	0.0523345305

-1,888	-1,611	-1,471	-1,450
514	451	395	340
-1,374	-1,160	-1,076	-1,110
9,595	8,434	7,358	6,249

2043	2044	2045	2046
2,574	2,383	2,206	2,042
3,948	3,780	3,611	3,608

-1,374	-1,397	-1,405	-1,565
321	265	206	139
-1,053	-1,132	-1,199	-1,427
5,768	4,636	3,437	2,010

0.0510000000	0.0510000000	0.0510000000	0.0510000000
0.0537407798	0.0537407798	0.0537407798	0.0537407798
0.0523345305	0.0523345305	0.0523345305	0.0523345305

-1,374	-1,397	-1,405	-1,565
285	229	169	101
-1,088	-1,168	-1,236	-1,464
5,160	3,992	2,756	1,291

2047	2048
1,891	1,750
3,952	1,750

-2,062	0
51	0
-2,010	0
0	0

0.0510000000	0.0000000000
0.0537407798	0.0000000000
0.0523345305	0.0000000000

-2,062	0
13	-39
-2,048	-39
-757	-796

From:	John Kim
To:	Shajee Kathirgamanathan; Gavin He
Cc:	Bruno Amara
Subject:	FW: FHP Trust Offering
Date:	Thursday, February 08, 2018 7:25:28 AM

Fyi

From: Ronald Kwan
Sent: Wednesday, February 07, 2018 9:32 PM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: Fwd: FHP Trust Offering

FYI.

Ron

Begin forwarded message:

> **From:** Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> **Date:** February 7, 2018 at 9:22:03 PM EST
> **To:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Cc:** Anna Strathy <Anna.Strathy@ofina.on.ca>, Usman Zahid <Usman.Zahid@ofina.on.ca>
> **Subject: Fwd: FHP Trust Offering**
>
> A partial answer to your question about the sub debt via the SoC.
>
> Begin forwarded message:
>
> > **From:** "Orsini, Steve (CAB)" <Steve.Orsini@ontario.ca>
> > **Date:** February 7, 2018 at 6:22:54 PM EST
> > **To:** "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>
> > **Cc:** "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, "Kwamena, Boafoa (CAB)" <Boafoa.Kwamena@ontario.ca>
> > **Subject: RE: FHP Trust Offering**
> >
> > Serge,
> >
> > Thanks. Please let us know the outcome of your analysis.
> >
> > ---
> >
> > **From:** Imbrogno, Serge (ENERGY)

Sent: February 7, 2018 6:21 PM
To: Orsini, Steve (CAB)
Cc: Davidson, Steven (CAB); Kwamena, Boafoa (CAB)
Subject: Re: FHP Trust Offering

Steve,

A number of inputs will vary over the thirty-year life of the GA refinancing program and will continue to be revised to reflect changing conditions (e.g., changes in interest rates).

The Ministry analysis underpinning the *2017* Fair Allocation Amount (FAA) included a 5.0% average interest rate over the life of the GA refinancing program (i.e., 30 years). Note: Navigant's modelling of GA refinancing assumed an interest rate of 4.5%. In the development of the 2017 FAA the interest rate assumptions were revised to 5% based on consultations with OPG.

The announcement yesterday that OPG was able to secure an interest rate of 3.357% for the senior debt on its first issuance has a 15 year term and a value of $500 million.

OPG advises that the remainder of the debt is split between "subordinated" and "junior subordinated" debt. The effective interest rate will be the weighted average of these three series of debt (i.e., senior, subordinated and junior subordinated). OPG is expected to finalize the pricing for the subordinated and junior subordinated debt within the next 48 hours. The pricing will be based in part on the pricing of the senior series.

Sent from my iPad

On Feb 6, 2018, at 10:29 PM, Orsini, Steve (CAB) <Steve.Orsini@ontario.ca> wrote:

Thanks Serge.

How does this compare to the costs assumed in the modelling?

From: Imbrogno, Serge (ENERGY)
Sent: February 6, 2018 2:36 PM
To: Orsini, Steve (CAB); Davidson, Steven (CAB)
Cc: Kwamena, Boafoa (CAB)
Subject: FHP Trust Offering

Hi Steve,

Not sure if you received an update already, but below is the result of the OPG Trust financing this afternoon for the OFHP:

- OPG has informed us that pricing has been confirmed at 3.357% and they financed $500m.

- This is 92 bps over GOC, so it is still the lowest cost.

- The OFA has confirmed that the issue was 23 bps over the Ontario curve.

OPG is providing a technical briefing for the media at 3:00.

From: John Kim
To: Shajee Kathirgamanathan; Gavin He
Subject: FW: FHP Trust Offering
Date: Thursday, April 19, 2018 1:30:07 PM

This was the previous input.

From: John Kim
Sent: Friday, February 09, 2018 9:44 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: Re: FHP Trust Offering

So on average 40bps over Ontario vs 50 bps which was 4bn. Let me know what that translates to. My guess of 2.5bn. Let me know if anyone can crunch this out tomorrow morning.

Sent from my iPhone

On Feb 9, 2018, at 9:18 PM, John Kim <John.Kim@ofina.on.ca> wrote:

> FYI
>
> Sent from my iPhone
>
> Begin forwarded message:
>
> > **From:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> > **Date:** February 9, 2018 at 9:06:17 PM EST
> > **To:** John Kim <John.Kim@ofina.on.ca>, Bruno Amara <Bruno.Amara@ofina.on.ca>
> > **Cc:** Usman Zahid <Usman.Zahid@ofina.on.ca>
> > **Subject: Fwd: FHP Trust Offering**
> >
> > Hi,
> >
> > Note the weighted average.
> >
> > Ron
> >
> > Begin forwarded message:
> >
> > > **From:** Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> > > **Date:** February 9, 2018 at 8:11:40 PM EST
> > > **To:** Mike Manning <Mike.Manning@ofina.on.ca>, Ronald Kwan <Ronald.Kwan@ofina.on.ca>, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
> > > **Cc:** Anna Strathy <Anna.Strathy@ofina.on.ca>, Usman Zahid <Usman.Zahid@ofina.on.ca>

Subject: Fwd: FHP Trust Offering

Begin forwarded message:

> **From:** "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>
> **Date:** February 9, 2018 at 7:14:05 PM EST
> **To:** "Orsini, Steve (CAB)" <Steve.Orsini@ontario.ca>
> **Cc:** "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, "Kwamena, Boafoa (CAB)" <Boafoa.Kwamena@ontario.ca>, "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
> **Subject: Re: FHP Trust Offering**
>
> Steve,
>
> Today OPG advised that the remainder of the debt is split between $382 million of “subordinated” debt at an interest rate of 3.637% and $98 million of “junior subordinated” debt at 3.957%.
>
> The effective interest rate of 3.526% is the weighted average of these three series of debt (i.e., senior, subordinated and junior subordinated).
>
> Sent from my iPad
>
> On Feb 7, 2018, at 6:22 PM, Orsini, Steve (CAB) <Steve.Orsini@ontario.ca<mailto:Steve.Orsini@ontario.ca>> wrote:
>
> Serge,
>
> Thanks. Please let us know the outcome of your analysis.

From: Imbrogno, Serge (ENERGY)
Sent: February 7, 2018 6:21 PM
To: Orsini, Steve (CAB)
Cc: Davidson, Steven (CAB); Kwamena, Boafoa (CAB)
Subject: Re: FHP Trust Offering

Steve,

A number of inputs will vary over the thirty-year life of the GA refinancing program and will continue to be revised to reflect changing conditions (e.g., changes in interest rates).

The Ministry analysis underpinning the 2017 Fair Allocation Amount (FAA) included a 5.0% average interest rate over the life of the GA refinancing program (i.e., 30 years). Note: Navigant's modelling of GA refinancing assumed an interest rate of 4.5%. In the development of the 2017 FAA the interest rate assumptions were revised to 5% based on consultations with OPG.

The announcement yesterday that OPG was able to secure an interest rate of 3.357% for the senior debt on its first issuance has a 15 year term and a value of $500 million.

OPG advises that the remainder of the debt is split between "subordinated" and "junior subordinated" debt. The effective interest rate will be the weighted average of these three series of debt (i.e., senior, subordinated and junior subordinated). OPG is expected to finalize the pricing for the subordinated and junior subordinated debt within the next 48 hours. The pricing will be based in part on the pricing of the senior series.

Sent from my iPad

On Feb 6, 2018, at 10:29 PM, Orsini, Steve (CAB) <Steve.Orsini@ontario.ca<mailto:Steve.Orsini@ontario.ca>> wrote:
Thanks Serge.

How does this compare to the costs assumed in the modelling?

From: Imbrogno, Serge (ENERGY)
Sent: February 6, 2018 2:36 PM
To: Orsini, Steve (CAB); Davidson, Steven (CAB)
Cc: Kwamena, Boafoa (CAB)
Subject: FHP Trust Offering

Hi Steve,

Not sure if you received an update already, but below is the result of the OPG Trust financing this afternoon for the OFHP:

- OPG has informed us that pricing has been confirmed at 3.357% and they financed $500m.

- This is 92 bps over GOC, so it is still the lowest cost.

- The OFA has confirmed that the issue was 23 bps over the Ontario curve.

OPG is providing a technical briefing for the media at 3:00.

From: John Kim
To: Shajee Kathirgamanathan
Cc: Gavin He
Subject: FW: FHP bonds
Date: Tuesday, June 05, 2018 11:23:54 AM

Fyi

From: Francisco Chinchon
Sent: Tuesday, June 05, 2018 11:23 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: FHP bonds

https://www.bloomberg.com/news/articles/2018-06-05/even-investors-are-holding-their-nose-over-ontario-s-hydro-bonds

From:	Shajee Kathirgamanathan
To:	John Kim
Subject:	FW: FHT Rates
Date:	Monday, June 04, 2018 12:24:01 PM
Attachments:	RE Rating Agencies views on Fair Hydro.msg Fwd FHP Trust Offering.msg Debt Funding - Tracking Sheet_v4_ForEnergy.xlsx

Will come by to discuss after lunch.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Lightbody, Ava (ENERGY) [mailto:Ava.Lightbody@ontario.ca]
Sent: Monday, June 04, 2018 11:25 AM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: FHT Rates

Hi Shajee,

Thanks a lot for this. I would just like to confirm if possible, the Ontario rates in columns X & Y are calculated indicative rates to reflect the maturities of the FHT issuances, rather than actual Ontario rates (e.g. it looks like the 3.10% would represent the simple average between the 10 and 20-year Ontario issuances, not sure for the Apr 24). Is that correct?

The 30-year rates in column V are presumably included just for comparison?

We had heard at the time of the two FHT issuances that the senior rates were 23 and 32 bps (for first and second issuances) over the Ontario rate, which doesn't quite seem to align, so just looking to get a clear understanding of the numbers.

Much appreciated, feel free to give me a ring.

Ava Lightbody
Advisor | Electricity Policy, Economics & System Planning
Ministry of Energy | 416-325-6862

From: Christie, Tim (ENERGY)
Sent: June-04-18 10:02 AM
To: Lightbody, Ava (ENERGY) <Ava.Lightbody@ontario.ca>
Cc: Cayley, Daniel (ENERGY) <Daniel.Cayley@ontario.ca>
Subject: FW: FHT Rates

Looks to me to be exactly what we need. Ava if you have any questions about it you can talk to Shajee directly.

From: Kathirgamanathan,Shajee (OFA) [mailto:Shajee.Kathirgamanathan@ofina.on.ca]
Sent: June-01-18 2:16 PM
To: Christie, Tim (ENERGY) <Tim.Christie@ontario.ca>
Cc: Kim, John (OFA) <John.Kim@ofina.on.ca>
Subject: FHT Rates

Hi Tim,

Hope you're well. John asked me to forward the attached your way…

We've been tracking the interest rates charged for the Fair Hydro Trust debt (Senior, Sub, and Jr. Sub debt) and comparing them to provincial rates at the same issue date. We've also included adjustments to the rates for premiums/discounts of the debt and dealer commissions.

The attached excel file shows the weighted average cost of the Fair Hydro Debt (Columns Q and R) along with comparisons to provincial debt assuming 30 year maturities.

The Ontario Bond yields (Columns U to Y) are based on estimates we receive.

The file may be updated periodically so this is still a work in progress, but just wanted to send this your way for now.

Happy to discuss further or answer any questions.

Thanks,
Shajee

Shajee Kathirgamanathan
Senior Advisor
Electricity Finance Branch, Corporate and Electricity Finance Division
Ontario Financing Authority
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Gadi Mayman []
To: John Kim [John.Kim@ofina.on.ca]; Ronald Kwan [Ronald.Kwan@ofina.on.ca]
CC: Usman Zahid [Usman.Zahid@ofina.on.ca]; Anna Strathy [Anna.Strathy@ofina.on.ca]; Mike Manning [Mike.Manning@ofina.on.ca]; Ken Kandeepan [Ken.Kandeepan@ofina.on.ca]
Subject:
Date: Thursday, April 19, 2018 13:53:30

Not that I'm aware of, but OPG is supposed to price the subordinated debt at the same time, so they should have those rates

Gadi

From: John Kim
Sent: Thursday, April 19, 2018 1:37 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: Rating Agencies views on Fair Hydro

For sure. Do we have a sense of the remainder of the debt?

From: Ronald Kwan
Sent: Thursday, April 19, 2018 1:06 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: Re: Rating Agencies views on Fair Hydro

Hi Gadi,

John was prepped to anticipate such a request!

Ron

From: Gadi Mayman
Sent: April 19, 2018 12:31 PM
To: Ronald Kwan
Cc: Usman Zahid; Anna Strathy; Mike Manning; Ken Kandeepan
Subject: FW: Rating Agencies views on Fair Hydro

Hi Ron. The deal ended up coming at 107, which is 32 back of us. We should update our interest calculation based on this.

Thanks,
Gadi

From: Caridia, Alex [mailto:alex.caridia@rbccm.com]
Sent: Thursday, April 19, 2018 9:35 AM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: Rating Agencies views on Fair Hydro

Hi Gadi – jus called you for an update on this. As you will have seen books are open at 110 +/-3bps

See that as Ont +35 and Toronto +13bps

Happy to chat more at your convenience

Alex

From: Caridia, Alex
Sent: April 19, 18 7:59 AM
To: Gadi Mayman
Subject: Re: Rating Agencies views on Fair Hydro

Hi Gadi

In short, that's true. Moody's action on Ontario will have no immediate effect on the ratings of FHT. Moody's rates FHT in line with the Province's rating, and has stated that any move on Ontario will also move their ratings on the FH program. However, under securitization methodology, rating directions are not used, so there is no current change on FHT, but if the Province is downgraded, FHT will also be downgraded.

On: 18 April 2018 21:59,
"Gadi Mayman" <Gadi.Mayman@ofina.on.ca> wrote:
Thanks, Alex. I was told that structured finance ratings don't have negative outlooks; the rating is simply the rating, so Moody's putting us on negative outlook doesn't immediately affect their rating of the FHT. It's only if we were to get downgraded that they would also downgrade FHT. Seems weird to me, but that's what I was told, and given that you've proceeded with the FHT transaction, I assume it's true?

From: Caridia, Alex <alex.caridia@rbccm.com>
Sent: Wednesday, April 18, 2018 5:30:32 PM
To: Gadi Mayman
Subject: Fwd: Rating Agencies views on Fair Hydro

Hi Gadi - FYI

Begin Forwarded Message:
From: "Laham, Chris" <chris.laham@rbccm.com<mailto:chris.laham@rbccm.com>>
Subject: Rating Agencies views on Fair Hydro
Date: 18 April 2018 15:51
To: "+DS-GM-Bond Sales Desk"
<DS-GM-BondSalesDesk@rbc.com<mailto:DS-GM-BondSalesDesk@rbc.com>>

Here are some bullet points outlining how each agency views Fair Hydro Trust in the context of the ratings of the Province.
The key point being, Moody's assumes at some point over the horizon of the program the Province will step in, thus linking the ratings. As a reminder, if this were to happen, the Province will assume the debt.

Here is Ian's outline for those that want a deeper dive:

DBRS

* Look at the transaction through a structured finance lens
* Change of law that could invoke a Protection Event is mitigated by the risk the FHT platform would become a liability of the Province, legislation took a long time to draft and pass, adverse change of law could bring into question other Provincial guarantee arrangements
* Significant enhancement (almost 100%) supports the senior notes, as does true-up mechanism, non-bypassability of recovery charge
* Amount of recovery charge is small as a percentage of the overall electricity user bill

Moody's

* The program as structured and under current law and regulations is considered to be of similar credit quality to US utility cost recovery programs rated by Moody's
* However, the FHT program's 30-year term, combined with the pervasive role of the Province and its related entities in many aspects of this transaction, increase the risk that the Province could make future changes to the law or related regulations that could adversely affect the outstanding obligations under the FHT program
* The Provincial guarantee is a mitigant to this risk, but it is not as robust as the constitutional protection found in similar US programs. Accordingly, Moody's has linked the provisional ratings of the notes to the Aa2 rating of the Province
* Future changes to the Province's rating will result in similar changes to the ratings of the notes.

Ian Benaiah | Director, Securitization Finance | RBC Capital Markets | TEL: 416.842.3820 | FAX: 416.842.3888 | ian.benaiah@rbccm.com<mailto:ian.benaiah@rbccm.com>

This email is intended only for the use of the individual(s) to whom it is addressed and may be privileged and confidential.
Unauthorised use or disclosure is prohibited. If you receive this e-mail in error, please advise immediately and delete the original message.
This message may have been altered without your or our knowledge and the sender does not accept any liability for any errors or omissions in the message.

Ce courriel est confidentiel et protégé. L'expéditeur ne renonce pas aux droits et obligations qui s'y rapportent.
Toute diffusion, utilisation ou copie de ce message ou des renseignements qu'il contient par une personne autre que le (les) destinataire(s) désigné(s) est interdite.
Si vous recevez ce courriel par erreur, veuillez m'en aviser immédiatement, par retour de courriel ou par un autre

moyen.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: John Kim []
To: Shajee Kathirgamanathan [Shajee.Kathirgamanathan@ofina.on.ca]; Gavin He [Gavin.He@ofina.on.ca]
Subject: Fwd: FHP Trust Offering
Date: Friday, February 09, 2018 22:18:49

FYI

Sent from my iPhone

Begin forwarded message:

From: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Date: February 9, 2018 at 9:06:17 PM EST
To: John Kim <John.Kim@ofina.on.ca>, Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: Fwd: FHP Trust Offering

Hi,

Note the weighted average.

Ron

Begin forwarded message:

From: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Date: February 9, 2018 at 8:11:40 PM EST
To: Mike Manning <Mike.Manning@ofina.on.ca>, Ronald Kwan <Ronald.Kwan@ofina.on.ca>, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>, Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: Fwd: FHP Trust Offering

Begin forwarded message:

From: "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>
Date: February 9, 2018 at 7:14:05 PM EST
To: "Orsini, Steve (CAB)" <Steve.Orsini@ontario.ca>
Cc: "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, "Kwamena, Boafoa (CAB)" <Boafoa.Kwamena@ontario.ca>, "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
Subject: Re: FHP Trust Offering

Steve,

Today OPG advised that the remainder of the debt is split between $382 million of "subordinated" debt at an interest rate of 3.637% and $98 million of "junior subordinated" debt at 3.957%.

The effective interest rate of 3.526% is the weighted average of these three series of debt (i.e., senior, subordinated and junior subordinated).

Sent from my iPad

On Feb 7, 2018, at 6:22 PM, Orsini, Steve (CAB) <Steve.Orsini@ontario.ca<mailto:Steve.Orsini@ontario.ca>> wrote:

Serge,

Thanks. Please let us know the outcome of your analysis.

From: Imbrogno, Serge (ENERGY)
Sent: February 7, 2018 6:21 PM
To: Orsini, Steve (CAB)
Cc: Davidson, Steven (CAB); Kwamena, Boafoa (CAB)
Subject: Re: FHP Trust Offering

Steve,

A number of inputs will vary over the thirty-year life of the GA refinancing program and will continue to be revised to reflect changing conditions (e.g., changes in interest rates).

The Ministry analysis underpinning the 2017 Fair Allocation Amount (FAA) included a 5.0% average interest rate over the life of the GA refinancing program (i.e., 30 years). Note: Navigant's modelling of GA refinancing assumed an interest rate of 4.5%. In the development

of the 2017 FAA the interest rate assumptions were revised to 5% based on consultations with OPG.

The announcement yesterday that OPG was able to secure an interest rate of 3.357% for the senior debt on its first issuance has a 15 year term and a value of $500 million.

OPG advises that the remainder of the debt is split between “subordinated” and “junior subordinated” debt. The effective interest rate will be the weighted average of these three series of debt (i.e., senior, subordinated and junior subordinated). OPG is expected to finalize the pricing for the subordinated and junior subordinated debt within the next 48 hours. The pricing will be based in part on the pricing of the senior series.

Sent from my iPad

On Feb 6, 2018, at 10:29 PM, Orsini, Steve (CAB) <Steve.Orsini@ontario.ca<mailto:Steve.Orsini@ontario.ca>> wrote:
Thanks Serge.

How does this compare to the costs assumed in the modelling?

From: Imbrogno, Serge (ENERGY)
Sent: February 6, 2018 2:36 PM
To: Orsini, Steve (CAB); Davidson, Steven (CAB)
Cc: Kwamena, Boafoa (CAB)
Subject: FHP Trust Offering

Hi Steve,

Not sure if you received an update already, but below is the result of the OPG Trust financing this afternoon for the OFHP:

- OPG has informed us that pricing has been confirmed at 3.357% and they financed $500m.

- This is 92 bps over GOC, so it is still the lowest cost.

- The OFA has confirmed that the issue was 23 bps over the Ontario curve.

OPG is providing a technical briefing for the media at 3:00.

Summary:

Total Funding	Term Debt Takeout
Senior debt	900,000,000.00
Subordinated	688,235,000.00
Junior subordinated	176,471,000.00
Total	**1,764,706,000.00**

Fair Hydro Trust

Date Issued*	Fair Hydro Trust Debt Type*	Principal Amount* ($)	Coupon Rate*	Maturity Date*	Series Number*	Term to Maturity [Years]	Issue Price [per $100 Principal]*	Issue Discount/(Premium) [per $100 Principal]	Commission [per $100 Principal]*	Commission and Issue Discount/(Premium) [Per $100 Principal]	Commission and Issue Premium/Discount [semi-annual rate]	Yield at Issue (w/ Commission, w/ Discount/Premium)
February 9, 2018	Senior debt	500,000,000	3.357%	May 15, 2033	2018-1	15.27	100.003	(0.003)	0.500	0.497	0.042%	3.39887%
February 9, 2018	Subordinated	382,353,000	3.637%	May 15, 2033	2018-1	15.27	100.000	-	-	-	0.000%	3.63700%
February 9, 2018	Junior subordinated	98,040,000	3.957%	May 15, 2033	2018-1	15.27	100.000	-	-	-	0.000%	3.95700%
April 24, 2018	Senior debt	400,000,000	3.520%	May 15, 2038	2018-2	20.06	100.002	(0.002)	0.550	0.548	0.038%	3.55832%
April 24, 2018	Subordinated	305,882,000	3.834%	May 15, 2038	2018-2	20.06	100.000	-	-	-	0.000%	3.83400%
April 24, 2018	Junior subordinated	78,431,000	4.214%	May 15, 2038	2018-2	20.06	100.000	-	-	-	0.000%	4.21400%

Ontario Bond Yields

Issuing Date	Weighted Average Coupon Rate	Weighted Average Yield at Issue	30 yr yields: 30yr**	30yr w/ Commission**	Yields reflective of Debt's Maturity: Debt Issue Maturity**	Ont Rate**	Ont Rate - w/ Commission**	Notes
February 9, 2018	3.526%	3.548%	3.23%	3.25%	15 year	3.10%	3.14%	Feb 9 Rate, Simple average between 10 and 20 year rates.
April 24, 2018	3.712%	3.731%	3.23%	3.26%	20 year	3.22%	3.25%	Apr 24 Rate
Total	**3.609%**	**3.629%**						

**Source: Fair Hydro Plan - Deliveries under Change of Law Process Agreement, February 8, 2018 and April 23, 2018.*

***Source: Corporate Finance Branch Interest Rate Snapshot based on ScotiaBank daily reports, semi-annual rate estimates. Commissions paid for dealers, based on historical one-time estimate. Subject to revision. Excludes additional costs Province may charge for on lending purposes.*

From:	John Kim
To:	Gavin He
Cc:	Shajee Kathirgamanathan; Bruno Amara; Esther Jeon
Subject:	FW: Fair Hydro Trust -- Term Closing
Date:	Tuesday, April 24, 2018 2:31:40 PM
Attachments:	Re Fair Hydro Plan - Deliveries under Change of Law Process Agreement.pdf

Fyi, I think the sub notes got priced.

John

From: Ronald Kwan
Sent: Tuesday, April 24, 2018 2:30 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Fw: Fair Hydro Trust -- Term Closing

Hi,

Please review.

Ron

From: Anna Strathy
Sent: April 24, 2018 2:26 PM
To: Gadi Mayman; Ronald Kwan; Mike Manning; Ken Kandeepan
Cc: Usman Zahid; Opal Kandelas
Subject: FW: Fair Hydro Trust -- Term Closing

FYI

From: Krasic, Aida (MOF) [mailto:Aida.Krasic@ontario.ca]
Sent: Tuesday, April 24, 2018 1:06 PM
To: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Cc: David McLean (MOF) <David.McLean@ontario.ca>; Paul Dupuis (MOF) <Paul.Dupuis@ontario.ca>; Peter Spadoni (MCYS) <Peter.Spadoni@ontario.ca>; Cook, Karen (MOF) <Karen.Cook@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: Fair Hydro Trust -- Term Closing

Hello Male,
Please find attached fax that DMO received from TORYS LLP regarding the Fair Hydro Plan –Deliveries under Change of Law Process Agreement.
As per Paul's email from Feb 9th, I am copying all on this email as well.
Thanks
Aida

From: Dupuis, Paul (MOF)
Sent: February 9, 2018 10:35 AM
To: Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>
Cc: Krasic, Aida (MOF) <Aida.Krasic@ontario.ca>; McLean, David (MOF) <David.McLean@ontario.ca>; Spadoni, Peter (MOF) <Peter.Spadoni@ontario.ca>; Cook, Karen (MOF) <Karen.Cook@ontario.ca>
Subject: FW: Fair Hydro Trust -- Term Closing

This message has been archived. View the original item

Hi Malle,

As requested please see attached. I have also copied Karen Cook (MO Office Mgr) and Peter Spadoni (Mgr of MoF Correspondence) as it may have also been sent to their fax machines as it i

Attachments:

image001.jpg	(5 KB)
FAX-Recd-2018-02-09_Torys-LLP_Fair-Hydro-Plan_Chg-of-Law-Process-Agreement.pdf	(1.3 MB)

900-1

TORYS LLP

FIN5167DM-2018-69

XRF: FIN5167DM-2018-15

79 Wellington St. W., 30th Floor
Box 270, TD South Tower
Toronto, Ontario M5K 1N2 Canada
P. 416.865.0040 | F. 416.865.7380
www.torys.com

Date	April 23, 2018		
From	Brett Saulnier	**Direct Tel**	416-865-8148
Page(s)	30 (including this cover page)		39953-2002

Recipient	Fax Number	Tel Number
Ministry of Finance (Minister)	(416) 325-0374	
Ministry of Finance (Deputy)	(416) 325-1595	
Ministry of Energy (Minister)	(416) 327-6754	
Ministry of Energy (Deputy)	(416) 327-6755	

Comments See attached

RECEIVED
APR 24 2018
MINISTRY OF FINANCE
DEPUTY MINISTER'S OFFICE

If there are problems with this transmission, please call the FAX department at 416.865.7692.

This communication, and any information or material transmitted with this communication, is intended only for the use of the intended recipients and it may be privileged and confidential. If you are not the intended recipient, you are hereby notified that any review, retransmission, conversion to hard copy, copying, circulation, publication, dissemination, distribution, reproduction or other use of this communication, information or material is prohibited and may be illegal. If you received this communication in error, please notify us immediately by telephone or by return email, and delete the communication, information and material from any computer, disk drive, diskette or other storage device or media. Thank you.

TORYS LLP

79 Wellington St. W., 30th Floor
Box 270, TD South Tower
Toronto, Ontario M5K 1N2 Canada
P. 416.865.0040 | F. 416.865.7380
www.torys.com

Brett Saulnier
bsaulnier@torys.com
P. 416.865.8148

April 23, 2018

CONFIDENTIAL

Ministry of Finance
7 Queen's Park Crescent, 7th Floor
Toronto, Ontario M7A 1Y7

Attention: Minister of Finance
Deputy Minister of Finance

Ministry of Energy
Hearst Block 4th Floor, 900 Bay Street
Toronto, Ontario M7A 2E1

Attention: Minister of Energy
Deputy Ministry of Energy

Dear Sirs/Mesdames:

Re: Fair Hydro Plan – Deliveries under Change of Law Process Agreement

Reference is made to the Change of Law Process Agreement dated as of December 21, 2017 between Her Majesty the Queen in Right of Ontario, as represented by the Minister of Energy and the Minister of Finance, and Ontario Power Generation Inc. (the "**Change of Law Process Agreement**"). Capitalized terms used and not defined herein shall have their respective meanings in the Change of Law Process Agreement.

On April 24, Fair Hydro Trust (the "**Issuer**") will issue (i) C$400,000,000 aggregate principal amount of 3.52% Senior Notes due May 15, 2038, Series 2018-2 in accordance with the terms of an agency agreement dated as of April 19, 2018 among the Issuer, Ontario Power Generation Inc. ("**OPG**") and the dealers named therein, (ii) C$305,882,000 aggregate principal amount of 3.834% Subordinated Notes due May 15, 2038, Series 2018-2 and (iii) C$78,431,000 aggregate principal amount of 4.214% Junior Subordinated Notes due May 15, 2038, Series 2018-2 (collectively, the "**Funding Obligations**").

On behalf of Ontario Power Generation Inc. and pursuant to section 3.01 of the Change of Law Process Agreement, please find enclosed a Process Certificate in respect of the Funding Obligations.

On behalf of Ontario Power Generation Inc. and pursuant to section 2.01(c) of the Change of Law Process Agreement, please find enclosed one Special Payment Date Agreement in respect of each of the Warehouse Senior Series 2017-1 Supplemental Indenture dated as of December 21, 2017 among, *inter alios*, the Issuer, Royal Bank of Canada and BNY Trust Company of Canada (the "**Indenture Trustee**"), the Warehouse Subordinated Series 2017-1 Supplemental

Indenture dated as of December 21, 2017 among the Issuer, OPG and the Indenture Trustee and the Warehouse Junior Subordinated Series 2017-1 Supplemental Indenture dated as of December 21, 2017 among the Issuer, OPG and the Indenture Trustee (collectively, the "**Warehouse Facilities**"). Such Special Payment Date Agreements permit a partial repayment of the Warehouse Facilities using proceeds from the Funding Obligations on a date that is not the 15th day of a given calendar month and allow the decrease notice to be delivered within two business days of such repayment (rather than five business days).

Yours truly,



Brett Saulnier

Encl.

cc: Rima Ramchandani, *Torys LLP*
John Lee, *Ontario Power Generation Inc.*
Lubna Ladak, *Ontario Power Generation Inc.*
Clara Greco, *Ontario Power Generation Inc.*

25407780.3

ONTARIO POWER GENERATION INC.,
in its capacity as FSM

PROCESS CERTIFICATE (2018-2)

Certificate of the CFO and Treasurer pursuant to section 3.01 of the Change of Law Process Agreement

TO: Her Majesty the Queen in Right of Ontario, as represented by the Minister of Energy and the Minister of Finance (the "**Province**")

RE: C$400,000,000 aggregate principal amount of 3.52% Senior Notes due May 15, 2038, Series 2018-2 (the "**Series 2018-2 Senior Notes**")

AND RE: C$305,882,000 aggregate principal amount of 3.834% Subordinated Notes due May 15, 2038, Series 2018-2 (the "**Series 2018-2 Subordinated Notes**")

AND RE: C$78,431,000 aggregate principal amount of 4.214% Junior Subordinated Notes due May 15, 2038, Series 2018-2 (the "**Series 2018-2 Junior Subordinated Notes**")

AND RE: Agency agreement between Fair Hydro Trust (the "**Issuer**"), Ontario Power Generation Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Goldman Sachs Canada Inc., BMO Nesbitt Burns Inc., Scotia Capital Inc., National Bank Financial Inc., TD Securities Inc., Morgan Stanley Canada Limited, HSBC Securities (Canada) Inc., Laurentian Bank Securities Inc., Desjardins Securities Inc. and Casgrain & Company Limited dated as of April 19, 2018 (the "**Agency Agreement**" and together with the Series 2018-2 Senior Notes, the Series 2018-2 Subordinated Notes and the Series 2018-2 Junior Subordinated Notes, the "**Funding Obligations**")

Reference is made to the Change of Law Process Agreement dated December 21, 2017 among the Province and Ontario Power Generation Inc. (the "**Change of Law Process Agreement**"). Capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Change of Law Process Agreement.

Each of the undersigned, being the Chief Financial Officer and Treasurer of OPG acting in its capacity as FSM and holding the offices set forth under their names and signatures below, pursuant to and accordance with section 3.01 of the Change of Law Process Agreement, hereby certifies for and on behalf of OPG, in its capacity as Financial Services Manager, and not in such officer's personal capacity and intending that this certificate may be relied on by the addressees hereof without independent inquiry, that:

1. I have read and understand the provisions of the Change of Law Process Agreement and all other documents and materials necessary to enable me to deliver this certificate.

2. The material terms of the Series 2018-2 Senior Notes are set forth in Schedule A.

3. The material terms of the Series 2018-2 Subordinated Notes are set forth in Schedule B.

4. The material terms of the Series 2018-2 Junior Subordinated Notes are set forth in Schedule C.

5. The material terms of the Agency Agreement are set forth in Schedule D.

6. The Funding Obligations:

   (a) will arise under terms and conditions that are Substantially in the Form of the Reference Documentation applicable thereto;

   (b) in my opinion, are reasonably incurred or effected in compliance with the Act, the General Regulation, any other enactments related thereto and the Financing Plan;

   (c) are of a type and are on terms that a reasonably prudent financial services manager would incur in similar circumstances; and

   (d) reflect, in all material respects, arm's length terms and conditions.

7. The Disclosure Document used in connection with the offering and sale of the Series 2018-2 Senior Notes is Substantially in the Form of the Reference Documentation. No Disclosure Document was used in connection with the offering and sale of the Series 2018-2 Subordinated Notes or Series 2018-2 Junior Subordinated Notes.

8. Any disclosure made in respect of any of the Funding Obligations (including any Disclosure Document, press release or other written communication prepared for dissemination to third parties in relation to any of the Funding Obligations) that refers to or describes the terms, effect or adherence of or to the Change of Law Process Agreement or the Change of Law Protection Agreement has been made available to the Province prior to use or dissemination, other than where such disclosure was substantially the same as a disclosure previously made.

9. No Breach Event has occurred on or prior to the date hereof, unless such Breach Event has been waived by the Province in writing.

10. At the time the Funding Obligations are incurred, the maximum aggregate payment amounts due or becoming due in the future in respect of Repayments under the Funding Obligations, together with all other outstanding amounts due or becoming due in the future in respect of Repayments under all Approved Obligations, do not exceed the Protection Agreement Maximum applicable on the date hereof.

[Remainder of page intentionally left blank.]

DATED as of the 24th day of April, 2018.

Name: Ken Hartwick
Title: Chief Financial Officer and Senior Vice President

Name: John Lee
Title: Vice President – Treasurer

[Signature page to Process Certificate (2018-2)]

SCHEDULE A

SERIES 2018-2 SENIOR NOTES TERM SHEET	
Principal Amount	Unlimited but initially C$400,000,000
Interest Rate	3.52% per annum (the "Series 2018-2 Senior Interest Rate")
Interest Payments	The "Interest Payment Dates" for the Series 2018-2 Senior Notes are as follows: (i) prior to the occurrence of an Amortization Event (as defined below), interest on the Series 2018-2 Senior Notes shall be payable in equal semi-annual instalments (except the first interest payment) in arrears on May 15 and November 15 of each year, commencing May 15, 2018 (short first coupon); and (ii) following the occurrence of an Amortization Event, interest will be payable in arrears on the outstanding principal amount of the Series 2018-2 Senior Notes on each Payment Date (as defined in the Master Trust Indenture dated December 21, 2017 between the Issuer and BNY Trust Company of Canada, as supplemented (the "MTI")) thereafter at a rate equal to the monthly equivalent of the Series 2018-2 Senior Interest Rate; that is, the interest rate that, when compounded monthly for six months on a stated outstanding principal amount, yields interest in an amount equal to the Series 2018-2 Senior Interest Rate, multiplied by such outstanding principal amount and divided by two. The first interest payment on the Series 2018-2 Senior Notes will include accrued and unpaid interest for the period from, and including, April 24, 2018 to, but excluding, the first Interest Payment Date. Subject to the occurrence of an Acceleration Event (as defined below), the first interest payment will be in an amount equal to C$2.02520548 per C$1,000 principal amount of Series 2018-2 Senior Notes. "Amortization Event" means either an Acceleration Event has occurred with respect to the Series 2018-2 Senior Notes, or the outstanding principal amount of the Series 2018-2 Senior Notes has not been paid in full on May 15, 2038. "Acceleration Event" means either (i) all Issuer Funding Obligations are declared due and payable in accordance with the provisions of the MTI, or (ii) the outstanding principal amount of the Series 2018-2 Senior Notes and all interest thereon is declared due and payable in accordance with the MTI as a result of the occurrence of certain events of default.
Issue Price	C$1,000.02 per C$1,000 principal amount of Series 2018-2 Senior Notes
Fees	See Schedule D under the heading "Fees"
Term to Maturity	20 years
Amortization	Subject to the occurrence of an Acceleration Event, the outstanding principal amount of the Series 2018-2 Senior Notes shall be due and payable on May 15, 2038. Following the occurrence of an Amortization Event, each Payment Date thereafter shall be a Principal Payment Date (as defined in the MTI) in respect of the Series 2018-2 Senior Notes and the then outstanding principal amount of the Series 2018-2 Senior Notes shall be due and payable on each such Payment Date. A failure to pay principal on May 15, 2038 for the Series 2018-2 Senior Notes will constitute an event of default upon the occurrence of which the holders of Series 2018-2 Senior Notes may declare the outstanding principal and all accrued and unpaid interest on the Series 2018-2 Senior Notes to be immediately due and payable. Subject to the occurrence of an Amortization Event, the Series 2018-2 Senior Notes shall have the Principal Accumulation Amounts for the Payment Dates specified in Appendix I hereto.
Extension	N/A
Redemption	The Series 2018-2 Senior Notes will be redeemable at the option of the Issuer, in whole or in part, at any time and from time to time, on not less than 15 nor more than 60 days' notice at the redemption price specified below. At any time prior to the Par Call Date (as defined below), the redemption price will be equal to the greater of (i) the Series 2018-2 Canada Yield Price (as defined below) and (ii) par, plus, in each case, accrued and unpaid interest to, but not including, the date of redemption. On or after the Par Call Date, the redemption price will be equal to par, plus accrued and unpaid interest to, but not including, the date of redemption. "Par Call Date" means November 15, 2037. "Series 2018-2 Canada Yield Price" means a price equal to the price of the Series 2018-2 Senior Notes calculated to provide a yield to the Par Call Date, compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, equal to the Government of Canada Yield (as defined below) calculated at 10:00 a.m. (Toronto time) on the third business day preceding the date of redemption, plus 0.265% per annum. "Government of Canada Yield" on any date means, in respect of the Series 2018-2 Senior Notes being redeemed, the yield from the redemption date to the Par Call Date compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on such date with a term to maturity equal to the remaining term to the Par Call Date (calculated from the date of redemption), such yield being the average of the yields provided by two major Canadian investment dealers specified by the Issuer.

APPENDIX 1

PRINCIPAL ACCUMULATION AMOUNTS AND PAYMENT DATES

Payment Date	Principal Accumulation Amount
June 15, 2037	C$33,333,333.33
July 15, 2037	C$33,333,333.33
August 15, 2037	C$33,333,333.33
September 15, 2037	C$33,333,333.33
October 15, 2037	C$33,333,333.33
November 15, 2037	C$33,333,333.33
December 15, 2037	C$33,333,333.33
January 15, 2038	C$33,333,333.33
February 15, 2038	C$33,333,333.33
March 15, 2038	C$33,333,333.33
April 15, 2038	C$33,333,333.33
May 15, 2038	C$33,333,333.37

SCHEDULE B

SERIES 2018-2 SUBORDINATED NOTES TERM SHEET	
Principal Amount	Unlimited but initially C$305,882,000
Interest Rate	3.834% per annum (the "**Series 2018-2 Subordinated Interest Rate**")
Interest Payments	The "**Interest Payment Dates**" for the Series 2018-2 Subordinated Notes are as follows: (i) prior to the occurrence of an Amortization Event (as defined below), interest on the Series 2018-2 Subordinated Notes shall be payable in equal semi-annual instalments (except the first interest payment) in arrears on May 15 and November 15 of each year, commencing May 15, 2018 (short first coupon); and (ii) following the occurrence of an Amortization Event, interest will be payable in arrears on the outstanding principal amount of the Series 2018-2 Subordinated Notes on each Payment Date (as defined in the Master Trust Indenture dated December 21, 2017 between the Issuer and BNY Trust Company of Canada, as supplemented (the "**MTI**")) thereafter at a rate equal to the monthly equivalent of the Series 2018-2 Subordinated Interest Rate; that is, the interest rate that, when compounded monthly for six months on a stated outstanding principal amount, yields interest in an amount equal to the Series 2018-2 Subordinated Interest Rate, multiplied by such outstanding principal amount and divided by two. The first interest payment on the Series 2018-2 Subordinated Notes will include accrued and unpaid interest for the period from, and including, April 24, 2018 to, but excluding, the first Interest Payment Date. Subject to the occurrence of an Acceleration Event (as defined below), the first interest payment will be in an amount equal to C$2.20586301 per C$1,000 principal amount of Series 2018-2 Subordinated Notes. "**Amortization Event**" means either an Acceleration Event has occurred with respect to the Series 2018-2 Subordinated Notes, or the outstanding principal amount of the Series 2018-2 Subordinated Notes has not been paid in full on May 15, 2038. "**Acceleration Event**" means either (i) all Issuer Funding Obligations are declared due and payable in accordance with the provisions of the MTI, or (ii) the outstanding principal amount of the Series 2018-2 Subordinated Notes and all interest thereon is declared due and payable in accordance with the MTI as a result of the occurrence of certain events of default.
Issue Price	C$1,000 per C$1,000 principal amount of Series 2018-2 Subordinated Notes
Fees	N/A
Term to Maturity	20 years
Amortization	Subject to the occurrence of an Acceleration Event, the outstanding principal amount of the Series 2018-2 Subordinated Notes shall be due and payable on May 15, 2038. Following the occurrence of an Amortization Event, each Payment Date thereafter shall be a Principal Payment Date (as defined in the MTI) in respect of the Series 2018-2 Subordinated Notes and the then outstanding principal amount of the Series 2018-2 Subordinated Notes shall be due and payable on each such Payment Date. A failure to pay principal on May 15, 2038 for the Series 2018-2 Subordinated Notes will constitute an event of default upon the occurrence of which the holders of Series 2018-2 Subordinated Notes may declare the outstanding principal and all accrued and unpaid interest on the Series 2018-2 Subordinated Notes to be immediately due and payable. Subject to the occurrence of an Amortization Event, the Series 2018-2 Subordinated Notes shall have the Principal Accumulation Amounts for the Payment Dates specified in Appendix 2 hereto.
Extension	N/A
Redemption	The Series 2018-2 Subordinated Notes will be redeemable at the option of the Issuer, in whole or in part, at any time and from time to time, on not less than 15 nor more than 60 days' notice at the redemption price specified below. At any time prior to the Par Call Date (as defined below), the redemption price will be equal to the greater of (i) the Series 2018-2 Canada Yield Price (as defined below) and (ii) par, plus, in each case, accrued and unpaid interest to, but not including, the date of redemption. On or after the Par Call Date, the redemption price will be equal to par, plus accrued and unpaid interest to, but not including, the date of redemption. "**Par Call Date**" means November 15, 2037. "**Series 2018-2 Canada Yield Price**" means a price equal to the price of the Series 2018-2 Subordinated Notes calculated to provide a yield to the Par Call Date, compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, equal to the Government of Canada Yield (as defined below) calculated at 10:00 a.m. (Toronto time) on the third business day preceding the date of redemption, plus 0.345% per annum. "**Government of Canada Yield**" on any date means, in respect of the Series 2018-2 Subordinated Notes being redeemed, the yield from the redemption date to the Par Call Date compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on such date with a term to maturity equal to the remaining term to the Par Call Date (calculated from the date of redemption), such yield being the average of the yields provided by two major Canadian investment dealers specified by the Issuer.

APPENDIX 2

PRINCIPAL ACCUMULATION AMOUNTS AND PAYMENT DATES

Payment Date	Principal Accumulation Amount
June 15, 2037	C$25,490,166.67
July 15, 2037	C$25,490,166.67
August 15, 2037	C$25,490,166.67
September 15, 2037	C$25,490,166.67
October 15, 2037	C$25,490,166.67
November 15, 2037	C$25,490,166.67
December 15, 2037	C$25,490,166.67
January 15, 2038	C$25,490,166.67
February 15, 2038	C$25,490,166.67
March 15, 2038	C$25,490,166.67
April 15, 2038	C$25,490,166.67
May 15, 2038	C$25,490,166.63

SCHEDULE C

SERIES 2018-2 JUNIOR SUBORDINATED NOTES TERM SHEET	
Principal Amount	Unlimited but initially C$78,431,000
Interest Rate	4.214% per annum (the "Series 2018-2 Junior Subordinated Interest Rate")
Interest Payments	The "Interest Payment Dates" for the Series 2018-2 Junior Subordinated Notes are as follows: (i) prior to the occurrence of an Amortization Event (as defined below), interest on the Series 2018-2 Junior Subordinated Notes shall be payable in equal semi-annual instalments (except the first interest payment) in arrears on May 15 and November 15 of each year, commencing May 15, 2018 (short first coupon); and (ii) following the occurrence of an Amortization Event, interest will be payable in arrears on the outstanding principal amount of the Series 2018-2 Junior Subordinated Notes on each Payment Date (as defined in the Master Trust Indenture dated December 21, 2017 between the Issuer and BNY Trust Company of Canada, as supplemented (the "MTI")) thereafter at a rate equal to the monthly equivalent of the Series 2018-2 Junior Subordinated Interest Rate; that is, the interest rate that, when compounded monthly for six months on a stated outstanding principal amount, yields interest in an amount equal to the Series 2018-2 Junior Subordinated Interest Rate, multiplied by such outstanding principal amount and divided by two. The first interest payment on the Series 2018-2 Junior Subordinated Notes will include accrued and unpaid interest for the period from, and including, April 24, 2018 to, but excluding, the first Interest Payment Date. Subject to the occurrence of an Acceleration Event (as defined below), the first interest payment will be in an amount equal to C$2.424493.15 per C$1,000 principal amount of Series 2018-2 Junior Subordinated Notes. "Amortization Event" means either an Acceleration Event has occurred with respect to the Series 2018-2 Junior Subordinated Notes, or the outstanding principal amount of the Series 2018-2 Junior Subordinated Notes has not been paid in full on May 15, 2038. "Acceleration Event" means either (i) all Issuer Funding Obligations are declared due and payable in accordance with the provisions of the MTI, or (ii) the outstanding principal amount of the Series 2018-2 Junior Subordinated Notes and all interest thereon is declared due and payable in accordance with the MTI as a result of the occurrence of certain events of default.
Issue Price	C$1,000 per C$1,000 principal amount of Series 2018-2 Junior Subordinated Notes
Fees	N/A
Term to Maturity	20 years
Amortization	Subject to the occurrence of an Acceleration Event, the outstanding principal amount of the Series 2018-2 Junior Subordinated Notes shall be due and payable on May 15, 2038. Following the occurrence of an Amortization Event, each Payment Date thereafter shall be a Principal Payment Date (as defined in the MTI) in respect of the Series 2018-2 Junior Subordinated Notes and the then outstanding principal amount of the Series 2018-2 Junior Subordinated Notes shall be due and payable on each such Payment Date. A failure to pay principal on May 15, 2038 for the Series 2018-2 Junior Subordinated Notes will constitute an event of default upon the occurrence of which the holders of Series 2018-2 Junior Subordinated Notes may declare the outstanding principal and all accrued and unpaid interest on the Series 2018-2 Junior Subordinated Notes to be immediately due and payable. Subject to the occurrence of an Amortization Event, the Series 2018-2 Junior Subordinated Notes shall have the Principal Accumulation Amounts for the Payment Dates specified in Appendix 3 hereto.
Extension	N/A
Redemption	The Series 2018-2 Junior Subordinated Notes will be redeemable at the option of the Issuer, in whole or in part, at any time and from time to time, on not less than 15 nor more than 60 days' notice at the redemption price specified below. At any time prior to the Par Call Date (as defined below), the redemption price will be equal to the greater of (i) the Series 2018-2 Canada Yield Price (as defined below) and (ii) par, plus, in each case, accrued and unpaid interest to, but not including, the date of redemption. On or after the Par Call Date, the redemption price will be equal to par, plus accrued and unpaid interest to, but not including, the date of redemption. "Par Call Date" means November 15, 2037. "Series 2018-2 Canada Yield Price" means a price equal to the price of the Series 2018-2 Junior Subordinated Notes calculated to provide a yield to the Par Call Date, compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, equal to the Government of Canada Yield (as defined below) calculated at 10:00 a.m. (Toronto time) on the third business day preceding the date of redemption, plus 0.440% per annum. "Government of Canada Yield" on any date means, in respect of the Series 2018-2 Junior Subordinated Notes being redeemed, the yield from the redemption date to the Par Call Date compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on such date with a term to maturity equal to the remaining term to the Par Call Date (calculated from the date of redemption), such yield being the average of the yields provided by two major Canadian investment dealers specified by the Issuer.

APPENDIX 3

PRINCIPAL ACCUMULATION AMOUNTS AND PAYMENT DATES

Payment Date	Principal Accumulation Amount
June 15, 2037	C$6,535,916.67
July 15, 2037	C$6,535,916.67
August 15, 2037	C$6,535,916.67
September 15, 2037	C$6,535,916.67
October 15, 2037	C$6,535,916.67
November 15, 2037	C$6,535,916.67
December 15, 2037	C$6,535,916.67
January 15, 2038	C$6,535,916.67
February 15, 2038	C$6,535,916.67
March 15, 2038	C$6,535,916.67
April 15, 2038	C$6,535,916.67
May 15, 2038	C$6,535,916.63

SCHEDULE D

AGENCY AGREEMENT TERMS	
Appointment	The Issuer appoints the Agents to act as its sole and exclusive agents to effect the solicitation and private placement of Series 2018-2 Senior Notes to "accredited investors", as such term is defined under applicable securities laws, in the Provinces of Canada (the "Offering").
Fees	In consideration of the services provided to the Issuer by the Agents, the Issuer agrees to pay the Agents a fee equal to 0.55% of the aggregate principal amount of Series 2018-2 Senior Notes sold in the Offering.
Representations and Warranties	Representations and warranties in favour of the Agents from each of the Issuer and OPG customary for a private placement of notes, including representations that the disclosure document used in connection with the Offering does not contain a "misrepresentation", as such term is defined under applicable securities laws.
Conditions to Closing	As conditions to the closing of the Offering, the Issuer must provide, or arrange to have provided, certain standard certificates, legal opinions and other deliverables to the Agents.
Termination	The Agents have customary rights to terminate their obligations on the occurrence of certain events, including legal or other proceedings resulting in a material adverse change, a material adverse change in respect of the Issuer and financial disasters.
Indemnity	Each of the Issuer and OPG provides an indemnity to each of the Agents for any losses resulting from, among other things, breaches of representations, warranties and covenants, breaches of securities laws or a "misrepresentation" in the disclosure document used in connection with the Offering.

SPECIAL PRINCIPAL PAYMENT DATE AGREEMENT (2018-2)
(Senior Warehouse Supplemental Indenture)

Reference is made to:

(a) the Trust Indenture dated as of December 21, 2017 (the "**Trust Indenture**") between Computershare Trust Company of Canada in its capacity as trustee of Fair Hydro Trust and BNY Trust Company of Canada, as indenture trustee;

(b) the Warehouse Senior Series 2017-1 Supplemental Indenture (the "**Senior Warehouse Supplemental Indenture**") made as of December 21, 2017 between the undersigned signatories to this Special Principal Payment Date Agreement;

(c) an expected issuance on or about April 24, 2018 of Senior Notes bearing the full designation "3.52% Senior Notes due May 15, 2038, Series 2018-2" pursuant to a new Supplemental Indenture to be entered into (the "**Expected Term Issuance**").

Terms with initial capital letters in this Special Principal Payment Date Agreement have the meanings given to them in, or for the purposes of, the Senior Warehouse Supplemental Indenture and the Trust Indenture.

The undersigned hereby agree as follows:

1. Notwithstanding the terms of the Senior Warehouse Supplemental Indenture, the date of issuance of the Senior Notes pursuant to the Expected Term Issuance (the "**Special Principal Payment Date**") will be a Principal Payment Date and a Decrease Date as such terms are defined under, and for the purposes of, the Senior Warehouse Supplemental Indenture.

2. Each of the Principal Payment Amount and the Decrease Amount for such Special Principal Payment Date shall be $400,000,000.

3. Proceeds of the Expected Term Issuance will be applied pursuant to the provisions of the Trust Indenture and the Senior Warehouse Supplemental Indenture to the payment of the Principal Payment Amount.

4. For greater certainty, it is acknowledged that the Special Principal Payment Date will not be an Interest Payment Date under the Senior Warehouse Supplemental Indenture and that accrued interest in respect of the principal amount of the Series 2017-1 Senior Notes repaid on the Special Principal Payment Date will be paid on the next Payment Date.

5. Notwithstanding Section 3.4(a) of the Senior Warehouse Supplemental Indenture, the Decrease Notice in respect of the Decrease occurring on the Special Principal Payment Date may be delivered no later than the second Business Day prior to the Special Principal Payment Date.

6. This Special Principal Payment Date Agreement applies only to the proceeds of the Expected Term Issuance and shall not be relied upon to complete any other repayment of principal of Series 2017-1 Senior Notes. If the Special Principal Payment Date has not

occurred by May 15, 2018 this Special Principal Payment Date Agreement shall cease to be of any force and effect.

7. Except as modified hereby, the provisions of the Senior Warehouse Supplemental Indenture remain in full force and effect unamended.

8. Each Series 2017-1 Senior Noteholder acknowledges and consents to the foregoing and directs the Indenture Trustee to enter into this Special Principal Payment Date Agreement.

[Signature Page Follows]

DATED this 20th day of April, 2018.

COMPUTERSHARE TRUST COMPANY OF CANADA, in its capacity as trustee of FAIR HYDRO TRUST, as Issuer by ONTARIO POWER GENERATION INC., not in its individual capacity but solely as Manager

By: _____
Name: Ken Hartwick
Title: Chief Financial Officer and Senior Vice President

By: _____
Name: John Lee
Title: Vice President – Treasurer

[Signature page to Special Principal Payment Date Agreement (2018-2) – Senior Warehouse]

S-2

BNY TRUST COMPANY OF CANADA, as Indenture Trustee

By: _____
Name: Ahmad Adam
Title: Vice-President

[Signature page to Special Principal Payment Date Agreement (2018-2) – Senior Warehouse]

ROYAL BANK OF CANADA, as Administrative Agent

By: _____
Name: Ian Benaiah
Title: Authorized Signatory

By: _____
Name:
Title: NUR KHAN
MANAGING DIRECTOR

CIBC MELLON TRUST COMPANY, in its capacity as trustee of **LAKESHORE TRUST**, by its Financial Services Agent, **ROYAL BANK OF CANADA**, as a CP Conduit Purchaser

By: _____
Name: Ian Benaiah
Title: Authorized Signatory

By: _____
Name:
Title: NUR KHAN
MANAGING DIRECTOR

ROYAL BANK OF CANADA, as a Group Bank

By: _____
Name: Ian Benaiah
Title: Authorized Signatory

By: _____
Name:
Title: NUR KHAN
MANAGING DIRECTOR

S-4

CANADIAN IMPERIAL BANK OF COMMERCE, as a Group Bank

By: _____
Name: Andrew Maciel
Title: Authorized Signatory

By: _____
Name: Sunil Adalja
Title: Authorized Signatory

COMPUTERSHARE TRUST COMPANY OF CANADA, in its capacity as trustee of **SOUND TRUST**, by its Financial Services Agent, **CANADIAN IMPERIAL BANK OF COMMERCE**, as a CP Conduit Purchaser

By: _____
Name: Andrew Maciel
Title: Authorized Signatory

By: _____
Name: Sunil Adalja
Title: Authorized Signatory

COMPUTERSHARE TRUST COMPANY OF CANADA, in its capacity as trustee of **SURE TRUST**, by its Financial Services Agent, **CANADIAN IMPERIAL BANK OF COMMERCE**, as a CP Conduit Purchaser

By: _____
Name: Andrew Maciel
Title: Authorized Signatory

By: _____
Name: Sunil Adalja
Title: Authorized Signatory

S-5

GOLDMAN SACHS BANK USA,
as a Non-Conduit Purchaser

By: _____
Name: Charles D. Johnston
Title: Authorized Signatory

By: _____
Name:
Title:

[Signature page to Special Principal Payment Date Agreement (2018-2) – Senior Warehouse]

SPECIAL PRINCIPAL PAYMENT DATE AGREEMENT (2018-2)
(Subordinated Warehouse Supplemental Indenture)

Reference is made to:

(a) the Trust Indenture dated as of December 21, 2017 (the "**Trust Indenture**") between Computershare Trust Company of Canada in its capacity as trustee of Fair Hydro Trust and BNY Trust Company of Canada, as indenture trustee;

(b) the Warehouse Subordinated Series 2017-1 Supplemental Indenture (the "**Subordinated Warehouse Supplemental Indenture**") made as of December 21, 2017 between the undersigned signatories to this Special Principal Payment Date Agreement;

(c) an expected issuance on or about April 24, 2018 of Subordinated Notes bearing the full designation "3.834% Subordinated Notes due May 15, 2038, Series 2018-2" pursuant to a new Supplemental Indenture to be entered into (the "**Expected Term Issuance**").

Terms with initial capital letters in this Special Principal Payment Date Agreement have the meanings given to them in, or for the purposes of, the Senior Warehouse Supplemental Indenture and the Trust Indenture.

The undersigned hereby agree as follows:

1. Notwithstanding the terms of the Subordinated Warehouse Supplemental Indenture, the date of issuance of the Subordinated Notes pursuant to the Expected Term Issuance (the "**Special Principal Payment Date**") will be a Principal Payment Date and a Decrease Date as such terms are defined under, and for the purposes of, the Subordinated Warehouse Supplemental Indenture.

2. Each of the Principal Payment Amount and the Decrease Amount for such Special Principal Payment Date shall be $305,882,000.

3. Proceeds of the Expected Term Issuance will be applied pursuant to the provisions of the Trust Indenture and the Subordinated Warehouse Supplemental Indenture to the payment of the Principal Payment Amount.

4. For greater certainty, it is acknowledged that the Special Principal Payment Date will not be an Interest Payment Date under the Subordinated Warehouse Supplemental Indenture and that accrued interest in respect of the principal amount of the Series 2017-1 Subordinated Notes repaid on the Special Principal Payment Date will be paid on the next Payment Date.

5. Notwithstanding Section 3.4 of the Subordinated Warehouse Supplemental Indenture, the Decrease Notice in respect of the Decrease occurring on the Special Principal Payment Date may be delivered no later than the second Business Day prior to the Special Principal Payment Date.

6. This Special Principal Payment Date Agreement applies only to the proceeds of the Expected Term Issuance and shall not be relied upon to complete any other repayment of principal of Series 2017-1 Subordinated Notes. If the Special Principal Payment Date has not occurred by May 15, 2018 this Special Principal Payment Date Agreement shall cease to be of any force and effect.

7. Except as modified hereby, the provisions of the Subordinated Warehouse Supplemental Indenture remain in full force and effect unamended.

8. Ontario Power Generation Inc. acknowledges and consents to the foregoing and directs the Indenture Trustee to enter into this Special Principal Payment Date Agreement.

[Signature Page Follows]

DATED this 20th day of April, 2018.

COMPUTERSHARE TRUST COMPANY OF CANADA, in its capacity as trustee of FAIR HYDRO TRUST, as Issuer by ONTARIO POWER GENERATION INC., not in its individual capacity but solely as Manager

By: _____
Name: Ken Hartwick
Title: Chief Financial Officer and Senior Vice President

By: _____
Name: John Lee
Title: Vice President - Treasurer

[Signature page to Special Principal Payment Date Agreement (2018-2) – Subordinated Warehouse]

BNY TRUST COMPANY OF CANADA, as Indenture Trustee

By: 

Name: Ahmad Adam
Title: Vice-President

[Signature page to Special Principal Payment Date Agreement (2018-2) – Subordinated Warehouse]

ONTARIO POWER GENERATION INC.

By: _____
Name: Ken Hartwick
Title: Chief Financial Officer and
Senior Vice President

By: _____
Name: John Lee
Title: Vice President – Treasurer

[Signature page to Special Principal Payment Date Agreement (2018-2) – Subordinated Warehouse]

SPECIAL PRINCIPAL PAYMENT DATE AGREEMENT (2018-2)
(Junior Subordinated Warehouse Supplemental Indenture)

Reference is made to:

(a) the Trust Indenture dated as of December 21, 2017 (the "**Trust Indenture**") between Computershare Trust Company of Canada in its capacity as trustee of Fair Hydro Trust and BNY Trust Company of Canada, as indenture trustee;

(b) the Warehouse Junior Subordinated Series 2017-1 Supplemental Indenture (the "**Junior Subordinated Warehouse Supplemental Indenture**") made as of December 21, 2017 between the undersigned signatories to this Special Principal Payment Date Agreement;

(c) an expected issuance on or about April 24, 2018 of Junior Subordinated Notes bearing the full designation "4.214% Junior Subordinated Notes due May 15, 2033, Series 2018-1" pursuant to a new Supplemental Indenture to be entered into (the "**Expected Term Issuance**").

Terms with initial capital letters in this Special Principal Payment Date Agreement have the meanings given to them in, or for the purposes of, the Senior Warehouse Supplemental Indenture and the Trust Indenture.

The undersigned hereby agree as follows:

1. Notwithstanding the terms of the Junior Subordinated Warehouse Supplemental Indenture, the date of issuance of the Junior Subordinated Notes pursuant to the Expected Term Issuance (the "**Special Principal Payment Date**") will be a Principal Payment Date and a Decrease Date as such terms are defined under, and for the purposes of, the Junior Subordinated Warehouse Supplemental Indenture.

2. Each of the Principal Payment Amount and the Decrease Amount for such Special Principal Payment Date shall be $78,431,000.

3. Proceeds of the Expected Term Issuance will be applied pursuant to the provisions of the Trust Indenture and the Junior Subordinated Warehouse Supplemental Indenture to the payment of the Principal Payment Amount.

4. For greater certainty, it is acknowledged that the Special Principal Payment Date will not be an Interest Payment Date under the Junior Subordinated Warehouse Supplemental Indenture and that accrued interest in respect of the principal amount of the Series 2017-1 Junior Subordinated Notes repaid on the Special Principal Payment Date will be paid on the next Payment Date.

5. Notwithstanding Section 3.4 of the Junior Subordinated Warehouse Supplemental Indenture, the Decrease Notice in respect of the Decrease occurring on the Special Principal Payment Date may be delivered no later than the second Business Day prior to the Special Principal Payment Date.

6. This Special Principal Payment Date Agreement applies only to the proceeds of the Expected Term Issuance and shall not be relied upon to complete any other repayment of principal of Series 2017-1 Junior Subordinated Notes. If the Special Principal Payment Date has not occurred by May 15, 2018 this Special Principal Payment Date Agreement shall cease to be of any force and effect.

7. Except as modified hereby, the provisions of the Junior Subordinated Warehouse Supplemental Indenture remain in full force and effect unamended.

8. Ontario Power Generation Inc. acknowledges and consents to the foregoing and directs the Indenture Trustee to enter into this Special Principal Payment Date Agreement.

[Signature Page Follows]

DATED this 20th day of April, 2018.

COMPUTERSHARE TRUST COMPANY OF CANADA, in its capacity as trustee of FAIR HYDRO TRUST, as Issuer by ONTARIO POWER GENERATION INC., not in its individual capacity but solely as Manager

By: _____
Name: Ken Hartwick
Title: Chief Financial Officer and Senior Vice President

By: _____
Name: John Lee
Title: Vice President - Treasurer

BNY TRUST COMPANY OF CANADA, as Indenture Trustee

By: 

Name: Ahmad Adam
Title: Vice-President

[Signature page to Special Principal Payment Date Agreement(2018-2) – Junior Subordinated Warehouse]

ONTARIO POWER GENERATION INC.

By: _____
Name: Ken Hartwick
Title: Chief Financial Officer and Senior Vice President

By: _____
Name: John Lee
Title: Vice President – Treasurer

[Signature page to Special Principal Payment Date Agreement (2018-2) – Junior Subordinated Warehouse]

From:	John Kim
To:	Shajee Kathirgamanathan; Gavin He
Subject:	FW: Fair Hydro spreads survey april 3
Date:	Thursday, April 19, 2018 2:06:37 PM
Attachments:	Fair Hydro price indications April 3 2018.xlsx

From: Carlos Yep
Sent: Thursday, April 19, 2018 2:06 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: FW: Fair Hydro spreads survey april 3

See attached

From: Ricky Lai
Sent: Wednesday, April 04, 2018 10:31 AM
To: Mike Manning <Mike.Manning@ofina.on.ca>
Cc: James Devine <James.Devine@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: Fair Hydro spreads

Please find this week's Fair Hydro spreads.

Ricky

FAIR HYDRO SPREADS

Week of April 3, 2018

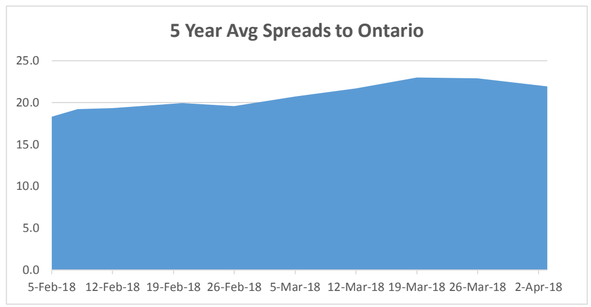
Senior Note

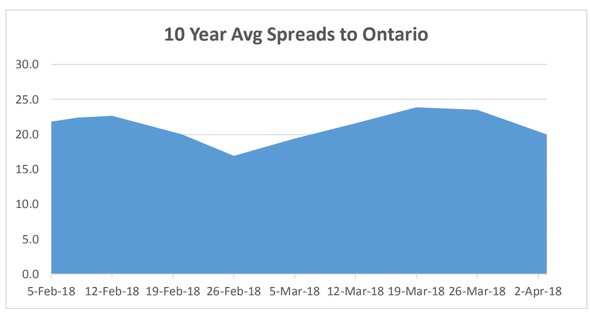
Average Spreads to Ontario					
30-year	20-year	15-year	10-year	5-year	3-year
33.0	29.8	24.4	20.8	21.9	22.8

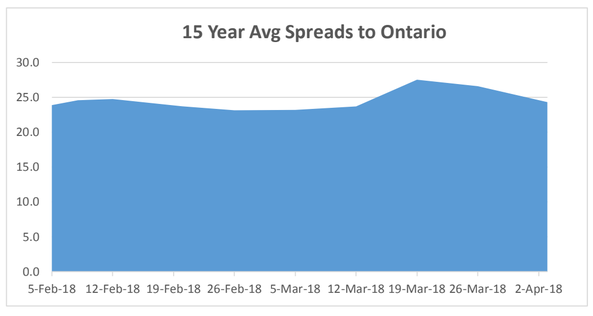
Average Fair Hydro Spreads to GoC curve					
30-year	20-year	15-year	10-year	5-year	3-year
113.0	109.6	102.5	90.6	68.0	52.3
108.6	105.0	97.4	86.6	63.7	48.4
4.4	4.6	5.1	4.0	4.3	3.8

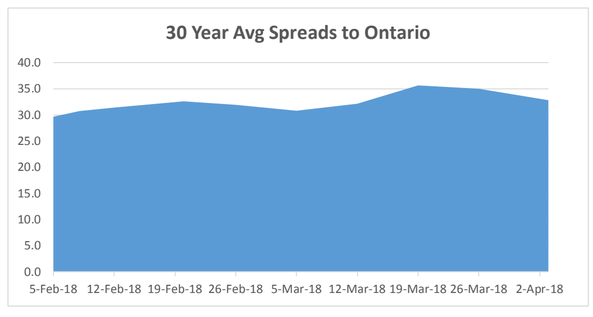
Last Week's
Change

Spreads to GoC						
	30-year	20-year	15-year	10-year	5-year	3-year
Minimum	*Scotia*	*CIBC*	*Scotia*	*GS*	*TD*	*CIBC*
	105.5	104.5	99.0	81.9	65.0	48.5
Maximum	*GS*	*CIBC*	*BMO*	*RBC*	*RBC*	*RBC*
	121.9	115.0	106.0	96.0	73.0	57.0









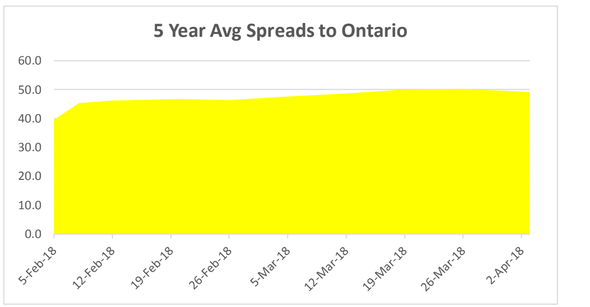
Sub Note

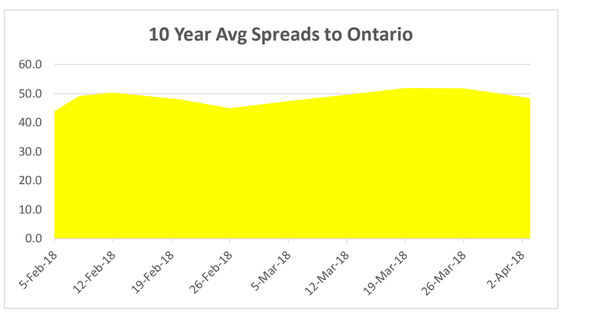
Average Spreads to Ontario					
30-year	20-year	15-year	10-year	5-year	3-year
64.0	60.5	54.3	49.2	49.3	50.1

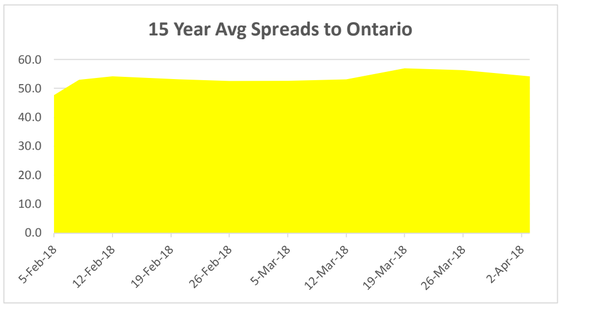
Average Fair Hydro Spreads to GoC curve					
30-year	20-year	15-year	10-year	5-year	3-year
144.0	140.3	132.3	119.0	95.3	79.6
139.0	135.1	126.8	114.6	90.7	75.3
5.0	5.2	5.5	4.4	4.7	4.3

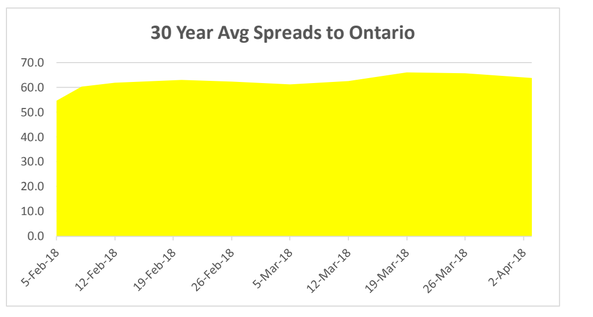
Last Week's
Change

Spreads to GoC						
	30-year	20-year	15-year	10-year	5-year	3-year
Minimum	*RBC*	*NBF*	*NBF*	*GS*	*NBF*	*NBF*
	138.0	137.0	126.0	111.9	88.0	73.0
Maximum	*GS*	*BMO*	*BMO*	*RBC*	*RBC*	*RBC*
	151.9	145.0	140.0	128.0	105.0	89.0









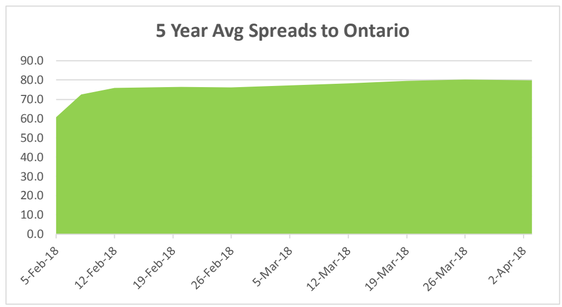
Junior Sub Note

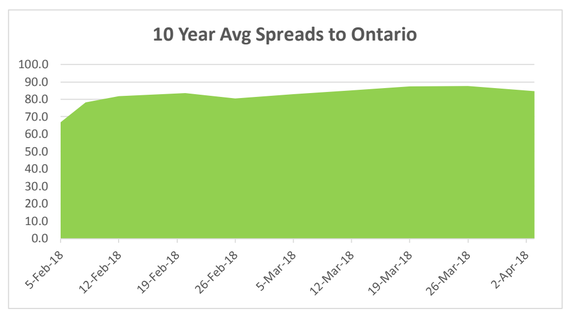
Average Spreads to Ontario					
30-year	20-year	15-year	10-year	5-year	3-year
105.2	100.9	93.9	84.4	79.9	80.9

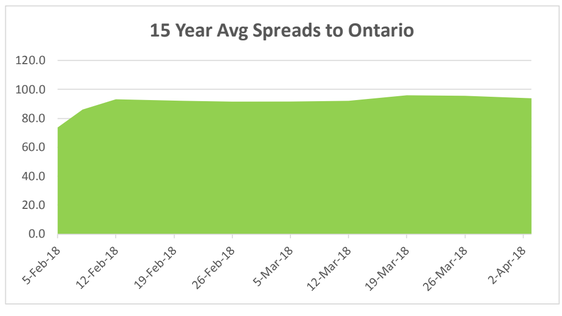
Average Fair Hydro Spreads to GoC curve					
30-year	20-year	15-year	10-year	5-year	3-year
185.4	181.3	172.1	155.3	126.0	110.4
180.0	175.7	165.8	150.1	120.3	105.3
5.4	5.6	6.2	5.1	5.7	5.2

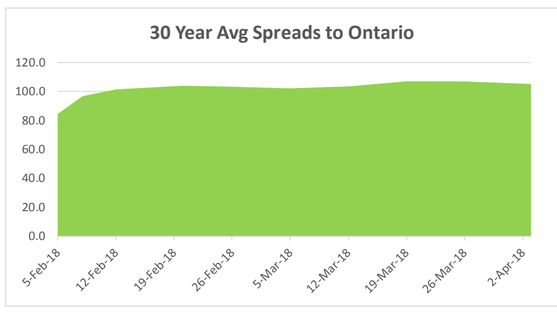
Last Week's
Change

Spreads to GoC						
	30-year	20-year	15-year	10-year	5-year	3-year
Minimum	*CIBC*	*CIBC*	*CIBC*	*NBF*	*NBF*	*NBF*
	166.5	165.0	154.5	135.0	107.0	92.0
Maximum	*BMO*	*BMO*	*BMO*	*GS*	*RBC*	*RBC*
	220.0	218.0	207.0	171.9	141.0	125.0









Indicative New Issue Spreads
Week of April 3, 2018

Indicative New Issue Spreads - Senior Notes (AAA/Aa2)	BMO	BMO	BMO	*BMO*	*BMO*	BMO	CIBC	CIBC	CIBC	*CIBC*	*CIBC*	CIBC	GS	GS	GS	*GS*	*GS*	GS	NBF	NBF
	BMO						CIBC						GS							
	Current						Current						Current							
	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year
Benchmark Canada Bond Maturity	01-Dec-48	1-Jun-37	1-Jun-29	1-Jun-27	01-Sep-22	01-Sep-20	01-Dec-48	1-Jun-37	1-Jun-33	1-Jun-28	01-Jun-25	01-Mar-23	1DEC48	1JUN37 and 1JUN41	1JUN29 and 1JUN33	1JUN27 and 1JUN29			01-Dec-48	1-Jun-37
Benchmark Canada Bond Coupon	2.75%	5.00%	5.75%	1.00%	2.75%	0.75%	2.75%	5.00%	5.75%	2.00%	2.25%	1.75%	2.75%	4.00%	5.75%	2.00%			2.75%	5.00%
Benchmark Yield	2.29%	2.27%	2.19%	2.15%	2.01%	1.87%	2.25%	2.22%	2.19%	2.13%	2.08%	1.98%	2.29%	2.27%	2.22%	2.17%			2.23%	2.21%
Curve Adjustment (bp)	0.0	0.8	3.4	2.0	0.5	5.9	0.0	0.3	(0.2)	(0.3)	(0.6)	0.5	0.0	0.7	4.9	0.8			0.0	0.0
Spread to GoC Curve (bp)	106	105	101	90	66	51	117	115	105	92	67	49	122	112	102	81.9			115	112
Re-Offered Yield	3.35%	3.33%	3.24%	3.07%	2.67%	2.44%	3.41%	3.38%	3.23%	3.04%	2.74%	2.47%	3.51%	3.39%	3.24%	2.98%			3.38%	3.33%
Commission (bp)	2.6	3.4	3.3	4.6	7.4	6.9	2.7	2.7	2.4	2.1	1.7	1.2	1.7	2.5	3.3	5.0			2.7	3.5
All-in Yield	**3.38%**	**3.36%**	**3.27%**	**3.11%**	**2.75%**	**2.51%**	**3.44%**	**3.40%**	**3.25%**	**3.06%**	**2.75%**	**2.48%**	**3.52%**	**3.41%**	**3.27%**	**3.03%**			**3.41%**	**3.36%**
All-in Spread to GoC Curve (bp)	**108.61**	**108.39**	**104.33**	**94.60**	**73.43**	**57.87**	**119.19**	**117.68**	**106.86**	**93.55**	**68.23**	**49.69**	**123.57**	**114.40**	**105.23**	**86.90**			**117.67**	**115.45**

Primary Comparable (S&P/Moody's/ DBRS)	BMO						CIBC						GS							
Spread to GoC Curve (bp)	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year
Province of Ontario (AA- / Aa2 / AA(L))	84	83	82	73	49	30	81	80	79	72	47	29	81	83	79	75			80	79

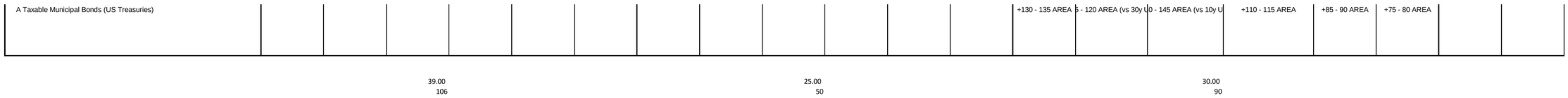
Other Comparables (S&P/Moody's/ DBRS)	BMO						CIBC						GS							
Spread to GoC Curve (bp)	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year
Canada Mortgage & Housing Corp (AAA/Aaa/AAA)																				
City of Toronto (AA/Aa1/AA)																				
Hydro One Inc. (A(H)/A3/A)																				
Ontario Power Generation Inc. (A(low)/-/BBB+)							171	--	--	123	81	65								
Toronto Hydro Corporation (A/-/A)							132	--	--	92	66	54								
Canadian National Railway Co (A/A2/A)																				
Greater Toronto Airports Authority (A(high)/Aa3/A+)																				
NAV Canada (AA(low)/Aa2/AA-)	102	0	0	83	58	51														
OPB Finance Trust (AA+/-/AA(H))																				
Covered Bond - Bank (AAA/Aaa/AAA)																				
Schedule I Bank deposit notes (A1-Aa2 ; A-AA- ; AA)																			140	134
Schedule I Bank covered bonds (Aaa ; AAA ; AAA)																			123	117
Schedule I Bank ABS (Aaa ; AAA ; AAA)																			145	138
ABS - Eagle 2017-1 A (AAA)	0	0	0	0	88	0														
ABS - BMO Fortified (HELOC ABS) (AAA/AAA)	0	0	0	0	82	67														
MBS - BAML NHA MBS (AAA/AAA)	0	0	0	0	67	52														
CMBs: (AAA/Aaa/AAA)	0	0	47	42	34	19														
PSP Investments (AAA/Aaa/AAA)	0	0	0	68	48	32														
CPP Investment Board (AAA/Aaa/AAA)	88	0	0	68	48	32														
BMO (Senior) (A+/A1/AA)	122	0	0	97	80	70														
Nova Scotia Power (BBB+ / - / A(l))							148	--	--	104	75	60								
FortisAlberta (A- / Baa1 / A(l))							136	--	--	95	69	--								
Brookfield Renewable Energy Partners (BBB / - / BBB(H))							242	--	--	182	126	102								
Bruce Power (BBB / Baa2 / BBB)							208	--	--	153	108	--								
City of Toronto (- / Aa1 / AA)							103	102	--	84	--	--								
BNS - Denior Deposit Notes																				
Golden Credit Card Trust																				
Master Credit Card Trust																				
AAA CMBS (USD Swaps)																80 bps area				
AAA Taxable Municipal Bonds (US Treasuries)													+90 AREA	5-80 AREA (vs 30y U	30-105 AREA (vs 10y U	+70-75 AREA	+60 - 65 AREA	+50 - 55 AREA		

Indicative New Issue Spreads - Sub Notes (AA/Aa2)	BMO						CIBC						GS							
	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year
Benchmark Canada Bond Maturity	01-Dec-48	1-Jun-37	1-Jun-29	1-Jun-27	01-Sep-22	01-Sep-20	01-Dec-48	1-Jun-37	1-Jun-33	1-Jun-28	01-Jun-25	01-Mar-23	1DEC48	1JUN37 and 1JUN41	1JUN29 and 1JUN33	1JUN27 and 1JUN29			01-Dec-48	1-Jun-37
Benchmark Canada Bond Coupon	2.75%	5.00%	5.75%	1.00%	2.75%	0.75%	2.75%	5.00%	5.75%	2.00%	2.25%	1.75%	2.75%	4.00%	5.75%	2.00%			2.75%	5.00%
Benchmark Yield	2.29%	2.27%	2.19%	2.15%	2.01%	1.87%	2.25%	2.22%	2.19%	2.13%	2.08%	1.98%	2.29%	2.27%	2.22%	2.17%			2.23%	2.21%
Curve Adjustment (bp)	0.0	0.8	3.4	2.0	0.5	5.9	0.0	0.3	(0.2)	(0.3)	(0.6)	0.5	0.0	0.7	4.9	0.8			0.0	0.0
Spread to GoC Curve (bp)	146	145	140	120	92	77	142	140	130	117	92	74	152	142	132	112			140	137
Re-Offered Yield	3.75%	3.73%	3.63%	3.37%	2.93%	2.70%	3.66%	3.63%	3.48%	3.29%	2.99%	2.72%	3.81%	3.69%	3.54%	3.28%			3.63%	3.58%
Commission (bp)	2.7	3.5	3.4	4.7	7.5	6.9	2.7	2.7	2.4	2.1	1.7	1.2	1.7	2.5	3.3	5.0			2.7	3.5
All-in Yield	**3.78%**	**3.76%**	**3.66%**	**3.41%**	**3.01%**	**2.77%**	**3.69%**	**3.65%**	**3.50%**	**3.31%**	**3.00%**	**2.73%**	**3.82%**	**3.71%**	**3.54%**	**3.33%**			**3.66%**	**3.61%**
All-in Spread to GoC Curve (bp)	**148.74**	**148.50**	**143.42**	**124.67**	**99.47**	**83.89**	**144.19**	**142.68**	**131.86**	**118.55**	**93.23**	**74.69**	**153.57**	**144.40**	**135.23**	**116.90**			**142.67**	**140.45**

Other Comparables (S&P/Moody's/ DBRS)	BMO						CIBC						GS							
Spread to GoC Curve (bp)	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year
RBC Sr-Sub.																				
Highway 407 (A, A)																			130	124
NAV Canada (AA-, AA low)																			100	98
GTAA (Aa3, A+)																			100	98
Hydro One (A3/A/A high)																			135	129
ABS - BMO Fortified (HELOC ABS) (AA/AA)	0	0	0	0	0	87														
ABS - Ford Floorplan Auto Securitization (AA / AA / AA)	0	0	0	0	0	102														
BMO (Senior) (A+/A1/AA)	122	0	0	97	80	70														
Nav Canada (sub) (AA-/Aa2/AAL)	102	0	0	83	58	51														
City of Toronto (AA / Aa1 / AA)	104	104	102	89	65	44														
Bank ABS (AAA / - / AAA)							--	--	--	--	80	67								
Auto ABS (Ford) (AAA / Aaa / AAA)							--	--	--	--	92	79								
NHA MBS (AAA / Aaa / AAA)							--	--	--	--	48	37								
AA CMBS (USD Swaps)																100 - 115 bps AREA				
AA Taxable Municipal Bonds (US Treasuries)													+105 - 110 AREA	90 AREA (vs 30y UST	5 - 120 AREA (vs 10y U	+90 - 95 AREA	+65 - 70 AREA	+50 - 55 AREA		

Indicative New Issue Spreads - Jr. Sub Notes (A/Aa2)	BMO						CIBC						GS							
	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year
Benchmark Canada Bond Maturity	01-Dec-48	1-Jun-37	1-Jun-29	1-Jun-27	01-Sep-22	01-Sep-20	01-Dec-48	1-Jun-37	1-Jun-33	1-Jun-28	01-Jun-25	01-Mar-23	1DEC48	1JUN37 and 1JUN41	1JUN29 and 1JUN33	1JUN27 and 1JUN29			01-Dec-48	1-Jun-37
Benchmark Canada Bond Coupon	2.75%	5.00%	5.75%	1.00%	2.75%	0.75%	2.75%	5.00%	5.75%	2.00%	2.25%	1.75%	2.75%	4.00%	5.75%	2.00%			2.75%	5.00%
Benchmark Yield	2.29%	2.27%	2.19%	2.15%	2.01%	1.87%	2.25%	2.22%	2.19%	2.13%	2.08%	1.98%	2.29%	2.27%	2.22%	2.17%			2.23%	2.21%
Curve Adjustment (bp)	0.0	0.8	3.4	2.0	0.5	5.9	0.0	0.3	(0.2)	(0.3)	(0.6)	0.5	0.0	0.7	4.9	0.8			0.0	0.0
Spread to GoC Curve (bp)	220	218	207	170	136	122	167	165	155	142	117	99	212	202	192	172			170	167
Re-Offered Yield	4.49%	4.46%	4.30%	3.87%	3.37%	3.15%	3.91%	3.88%	3.73%	3.54%	3.24%	2.97%	4.41%	4.29%	4.14%	3.88%			3.93%	3.88%
Commission (bp)	2.8	3.6	3.5	4.7	7.5	6.9	2.7	2.7	2.4	2.1	1.7	1.2	1.7	2.5	3.3	5.0			2.7	3.5
All-in Yield	**4.52%**	**4.49%**	**4.33%**	**3.91%**	**3.45%**	**3.22%**	**3.94%**	**3.90%**	**3.75%**	**3.56%**	**3.25%**	**2.98%**	**4.42%**	**4.31%**	**4.14%**	**3.93%**			**3.96%**	**3.91%**
All-in Spread to GoC Curve (bp)	**222.84**	**221.63**	**210.52**	**174.75**	**143.53**	**128.93**	**169.19**	**167.68**	**156.86**	**143.55**	**118.23**	**99.69**	**213.57**	**204.40**	**195.23**	**176.90**			**172.67**	**170.45**

Other Comparables (S&P/Moody's/ DBRS)	BMO						CIBC						GS							
Spread to GoC Curve (bp)	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year
Ontario Power Generation (BBB+/A low)																			160.0	154.8
Highway 407 (A, A)																			130.0	124.0
Enbridge Gas Distribution (A-, A)																			135.0	129.8
Hydro One (A3/A/A high)																			135.0	129.0
Schedule 1 Bank ABS (A)																			200.0	193.3
ABS - Eagle 2017-1 Sub A Rated Tranche	-	-	-	-	153.0	-														
ABS - BMO Fortified Sub A Rated Tranche	-	-	-	-	135.0	-														
Hydro One (A/A3/AH)	138.0	-	-	100.0	75.0	60.0														
OPG (BBB+/-/AL)	170.0	-	-	123.0	98.0	83.0														
10-year A CMBS (USD Swaps)																150 - 160 bps AREA				


A Taxable Municipal Bonds (US Treasuries)
+130 - 135 AREA
5 - 120 AREA (vs 30y U
0 - 145 AREA (vs 10y U
+110 - 115 AREA
+85 - 90 AREA
+75 - 80 AREA
39.00
106
25.00
50
30.00
90

Indicative New Issue Spreads
Week of April 3, 2018

NBF *NBF* *NBF* NBF

Indicative New Issue Spreads - Senior Notes (AAA/Aa2)	NBF Current			
	15-year	10-year	5-year	3-year
Benchmark Canada Bond Maturity	1-Jun-33	1-Jun-27	01-Jun-22	01-Sep-20
Benchmark Canada Bond Coupon	5.75%	1.00%	2.75%	0.75%
Benchmark Yield	2.17%	2.06%	1.98%	1.90%
Curve Adjustment (bp)	0.0	0.0	0.0	0.0
Spread to GoC Curve (bp)	103	90.00	67	52
Re-Offered Yield	3.20%	2.96%	2.65%	2.42%
Commission (bp)	3.8	4.7	7.5	8.7
All-in Yield	**3.24%**	**3.01%**	**2.73%**	**2.51%**
All-in Spread to GoC Curve (bp)	**106.81**	**94.66**	**74.54**	**60.70**

Primary Comparable (S&P/Moody's/ DBRS)	NBF			
Spread to GoC Curve (bp)	15-year	10-year	5-year	3-year
Province of Ontario (AA- / Aa2 / AA(L))	78	69	46	30

Other Comparables (S&P/Moody's/ DBRS)	NBF			
Spread to GoC Curve (bp)	15-year	10-year	5-year	3-year
Canada Mortgage & Housing Corp (AAA/Aaa/AAA)				
City of Toronto (AA/Aa1/AA)				
Hydro One Inc. (A(H)/A3/A)				
Ontario Power Generation Inc. (A(low)/-/BBB+)				
Toronto Hydro Corporation (A/-/A)				
Canadian National Railway Co (A/A2/A)				
Greater Toronto Airports Authority (A(high)/Aa3/A+)				
NAV Canada (AA(low)/Aa2/AA-)				
OPB Finance Trust (AA+/-/AA(H))				
Covered Bond - Bank (AAA/Aaa/AAA)				
Schedule I Bank deposit notes (A1-Aa2 ; A-AA- ; AA)	117	100	80	70
Schedule I Bank covered bonds (Aaa ; AAA ; AAA)	100	85	65	57
Schedule I Bank ABS (Aaa ; AAA ; AAA)	119	100	80	70
ABS - Eagle 2017-1 A (AAA)				
ABS - BMO Fortified (HELOC ABS) (AAA/AAA)				
MBS - BAML NHA MBS (AAA/AAA)				
CMBs: (AAA/Aaa/AAA)				
PSP Investments (AAA/Aaa/AAA)				
CPP Investment Board (AAA/Aaa/AAA)				
BMO (Senior) (A+/A1/AA)				
Nova Scotia Power (BBB+ / - / A(l))				
FortisAlberta (A- / Baa1 / A(l))				
Brookfield Renewable Energy Partners (BBB / - / BBB(H))				
Bruce Power (BBB / Baa2 / BBB)				
City of Toronto (- / Aa1 / AA)				
BNS - Denior Deposit Notes				
Golden Credit Card Trust				
Master Credit Card Trust				
AAA CMBS (USD Swaps)				
AAA Taxable Municipal Bonds (US Treasuries)				

Indicative New Issue Spreads - Sub Notes (AA/Aa2)	NBF			
	15-year	10-year	5-year	3-year
Benchmark Canada Bond Maturity	01-Jun-33	01-Jun-27	01-Jun-22	01-Sep-20
Benchmark Canada Bond Coupon	5.75%	1.00%	2.75%	0.75%
Benchmark Yield	2.17%	2.06%	1.98%	1.90%
Curve Adjustment (bp)	0.0	0.0	0.0	0.0
Spread to GoC Curve (bp)	126	112	88	73
Re-Offered Yield	3.43%	3.18%	2.86%	2.63%
Commission (bp)	3.8	4.7	7.5	8.7
All-in Yield	**3.47%**	**3.23%**	**2.94%**	**2.72%**
All-in Spread to GoC Curve (bp)	**129.81**	**116.66**	**95.54**	**81.70**

Other Comparables (S&P/Moody's/ DBRS)	NBF			
Spread to GoC Curve (bp)	15-year	10-year	5-year	3-year
RBC Sr-Sub.				
Highway 407 (A, A)	107	90	65	55
NAV Canada (AA-, AA low)	91	85	60	50
GTAA (Aa3, A+)	91	85	60	50
Hydro One (A3/A/A high)	112	95	75	60
ABS - BMO Fortified (HELOC ABS) (AA/AA)				
ABS - Ford Floorplan Auto Securitization (AA / AA / AA)				
BMO (Senior) (A+/A1/AA)				
Nav Canada (sub) (AA-/Aa2/AAL)				
City of Toronto (AA / Aa1 / AA)				
Bank ABS (AAA / - / AAA)				
Auto ABS (Ford) (AAA / Aaa / AAA)				
NHA MBS (AAA / Aaa / AAA)				
AA CMBS (USD Swaps)				
AA Taxable Municipal Bonds (US Treasuries)				

Indicative New Issue Spreads - Jr. Sub Notes (A/Aa2)	NBF			
	15-year	10-year	5-year	3-year
Benchmark Canada Bond Maturity	1-Jun-33	1-Jun-27	01-Jun-22	01-Sep-20
Benchmark Canada Bond Coupon	5.75%	1.00%	2.75%	0.75%
Benchmark Yield	2.17%	2.06%	1.98%	1.90%
Curve Adjustment (bp)	0.0	0.0	0.0	0.0
Spread to GoC Curve (bp)	156	135	107	92
Re-Offered Yield	3.73%	3.41%	3.05%	2.82%
Commission (bp)	3.8	4.7	7.5	8.7
All-in Yield	**3.77%**	**3.46%**	**3.13%**	**2.91%**
All-in Spread to GoC Curve (bp)	**159.81**	**139.66**	**114.54**	**100.70**

Other Comparables (S&P/Moody's/ DBRS)	NBF			
Spread to GoC Curve (bp)	15-year	10-year	5-year	3-year
Ontario Power Generation (BBB+/A low)	139.9	125.0	95.0	80.0
Highway 407 (A, A)	107.0	90.0	65.0	55.0
Enbridge Gas Distribution (A-, A)	114.9	100.0	75.0	60.0
Hydro One (A3/A/A high)	112.0	95.0	75.0	60.0
Schedule 1 Bank ABS (A)	174.1	155.0	135.0	120.0
ABS - Eagle 2017-1 Sub A Rated Tranche				
ABS - BMO Fortified Sub A Rated Tranche				
Hydro One (A/A3/AH)				
OPG (BBB+/-/AL)				
10-year A CMBS (USD Swaps)				

A Taxable Municipal Bonds (US Treasuries)				

Indicative New Issue Spreads
Week of April 3, 2018

Indicative New Issue Spreads - Senior Notes (AAA/Aa2)	RBC	RBC	RBC	RBC	RBC	RBC	Scotia	Scotia	Scotia	Scotia	Scotia	Scotia	TD	TD	TD	TD	TD	TD
	RBC						Scotia						TD					
	Current						Current						Current					
	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year
Benchmark Canada Bond Maturity	01-Dec-48	1-Jun-37	1-Jun-29	1-Jun-27	01-Mar-23	01-Mar-21	01-Dec-48	1-Jun-37	1-Jun-33	1-Jun-27	01-Mar-23	01-Mar-21	30-Nov-44	31-May-33	31-May-25	31-May-23	31-May-19	28-Feb-17
Benchmark Canada Bond Coupon	2.75%	5.00%	5.75%	1.00%	1.75%	0.75%	2.75%	5.00%	5.75%	1.00%	1.75%	0.75%	2.75%	5.00%	5.75%	1.00%	1.50%	0.75%
Benchmark Yield	2.25%	2.23%	2.17%	2.12%	1.99%	1.91%	2.34%	2.33%	2.29%	2.21%	2.05%	1.94%	2.24%	2.22%	2.14%	2.09%	1.98%	1.88%
Curve Adjustment (bp)	0.0	0.8	2.8	1.9	0.4	0.8	0.0	0.6	(0.2)	1.8	0.2	0.3	0.0	0.8	3.2	1.9	0.0	0.9
Spread to GoC Curve (bp)	106	107	106	96.00	73	57	106	105	99	90	71	55	120	112	102	95	65	50
Re-Offered Yield	3.31%	3.31%	3.25%	3.10%	2.73%	2.49%	3.40%	3.38%	3.28%	3.13%	2.76%	2.49%	3.44%	3.34%	3.19%	3.06%	2.63%	2.39%
Commission (bp)	2.7	3.4	3.8	4.7	7.6	8.7	3.0	3.2	3.6	4.9	7.7	8.6	2.3	3.1	3.5	4.5	7.4	8.6
All-in Yield	**3.34%**	**3.34%**	**3.29%**	**3.15%**	**2.80%**	**2.57%**	**3.43%**	**3.41%**	**3.32%**	**3.18%**	**2.84%**	**2.58%**	**3.46%**	**3.37%**	**3.22%**	**3.11%**	**2.71%**	**2.48%**
All-in Spread to GoC Curve (bp)	**108.65**	**110.45**	**109.83**	**100.69**	**80.55**	**65.71**	**108.51**	**107.65**	**102.57**	**94.36**	**78.17**	**63.63**	**122.31**	**115.12**	**105.54**	**99.47**	**72.40**	**58.62**

Primary Comparable (S&P/Moody's/ DBRS)	RBC						Scotia						TD					
Spread to GoC Curve (bp)	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year
Province of Ontario (AA- / Aa2 / AA(L))	81	82	81	71	48	32	80	80	79	69	45	30	76	76	71	66	43	28

Other Comparables (S&P/Moody's/ DBRS)	RBC						Scotia						TD					
Spread to GoC Curve (bp)	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year
Canada Mortgage & Housing Corp (AAA/Aaa/AAA)	n/a	n/a	n/a	40	32	18												
City of Toronto (AA/Aa1/AA)	103	103	98	88	63	45												
Hydro One Inc. (A(H)/A3/A)	141	n/a	n/a	97	65	55							138	128	100	92	70	57
Ontario Power Generation Inc. (A(low)/-/BBB+)	162	n/a	n/a	120	89	77	167	0	0	122	97	85						
Toronto Hydro Corporation (A/-/A)	135	n/a	n/a	95	62	52												
Canadian National Railway Co (A/A2/A)	134	n/a	n/a	93	69	61												
Greater Toronto Airports Authority (A(high)/Aa3/A+)	101	n/a	n/a	80	60	50												
NAV Canada (AA(low)/Aa2/AA-)	100	n/a	n/a	80	60	50												
OPB Finance Trust (AA+/-/AA(H))													116	106	101	92	64	46
Covered Bond - Bank (AAA/Aaa/AAA)													N/A	N/A	N/A	87	70	53
Schedule I Bank deposit notes (A1-Aa2 ; A-AA- ; AA)																		
Schedule I Bank covered bonds (Aaa ; AAA ; AAA)																		
Schedule I Bank ABS (Aaa ; AAA ; AAA)																		
ABS - Eagle 2017-1 A (AAA)																		
ABS - BMO Fortified (HELOC ABS) (AAA/AAA)																		
MBS - BAML NHA MBS (AAA/AAA)																		
CMBs: (AAA/Aaa/AAA)																		
PSP Investments (AAA/Aaa/AAA)																		
CPP Investment Board (AAA/Aaa/AAA)							79	0	0	69	49	31						
BMO (Senior) (A+/A1/AA)																		
Nova Scotia Power (BBB+ / - / A(l))																		
FortisAlberta (A- / Baa1 / A(l))																		
Brookfield Renewable Energy Partners (BBB / - / BBB(H))																		
Bruce Power (BBB / Baa2 / BBB)																		
City of Toronto (- / Aa1 / AA)																		
BNS - Denior Deposit Notes							132	0	0	102	85	73						
Golden Credit Card Trust							0	0	0	98	81	69						
Master Credit Card Trust							0	0	0	98	81	69						
AAA CMBS (USD Swaps)																		
AAA Taxable Municipal Bonds (US Treasuries)																		

Indicative New Issue Spreads - Sub Notes (AA/Aa2)	RBC						Scotia						TD					
	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year
Benchmark Canada Bond Maturity	01-Dec-48	01-Jun-37	01-Jun-29	01-Jun-27	01-Mar-23	01-Mar-21	01-Dec-48	01-Jun-37	1-Jun-33	1-Jun-27	01-Mar-23	01-Mar-21	30-Nov-44	31-May-33	31-May-25	31-May-23	31-May-19	28-Feb-17
Benchmark Canada Bond Coupon	2.75%	5.00%	5.75%	1.00%	1.75%	0.75%	2.75%	5.00%	5.75%	1.00%	1.75%	0.75%	2.75%	5.00%	5.75%	1.00%	1.50%	0.75%
Benchmark Yield	2.25%	2.23%	2.17%	2.12%	1.99%	1.91%	2.34%	2.33%	2.29%	2.21%	2.05%	1.94%	2.24%	2.22%	2.14%	2.09%	1.98%	1.88%
Curve Adjustment (bp)	0.0	0.8	2.8	1.9	0.4	0.8	0.0	0.6	(0.2)	1.8	0.2	0.3	0.0	0.8	3.2	1.9	0.0	0.9
Spread to GoC Curve (bp)	138	139	138	128	105	89	141	138	129	120	101	85	150	142	132	125	95	80
Re-Offered Yield	3.63%	3.63%	3.57%	3.42%	3.05%	2.81%	3.75%	3.71%	3.58%	3.43%	3.06%	2.79%	3.74%	3.64%	3.49%	3.36%	2.93%	2.69%
Commission (bp)	2.8	3.5	3.9	4.8	7.6	8.8	3.0	3.2	3.6	4.9	7.7	8.6	2.3	3.1	3.5	4.5	7.4	8.6
All-in Yield	**3.66%**	**3.66%**	**3.61%**	**3.47%**	**3.12%**	**2.89%**	**3.78%**	**3.74%**	**3.62%**	**3.48%**	**3.14%**	**2.88%**	**3.76%**	**3.67%**	**3.52%**	**3.41%**	**3.01%**	**2.78%**
All-in Spread to GoC Curve (bp)	**140.76**	**142.55**	**141.91**	**132.77**	**112.62**	**97.76**	**143.51**	**140.65**	**132.57**	**124.36**	**108.17**	**93.63**	**152.31**	**145.12**	**135.54**	**129.47**	**102.40**	**88.62**

Other Comparables (S&P/Moody's/ DBRS)	RBC						Scotia						TD					
Spread to GoC Curve (bp)	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year
RBC Sr-Sub.	n/a	n/a	n/a	68	45	n/a												
Highway 407 (A, A)																		
NAV Canada (AA-, AA low)																		
GTAA (Aa3, A+)																		
Hydro One (A3/A/A high)																		
ABS - BMO Fortified (HELOC ABS) (AA/AA)																		
ABS - Ford Floorplan Auto Securitization (AA / AA / AA)																		
BMO (Senior) (A+/A1/AA)																		
Nav Canada (sub) (AA-/Aa2/AAL)																		
City of Toronto (AA / Aa1 / AA)																		
Bank ABS (AAA / - / AAA)																		
Auto ABS (Ford) (AAA / Aaa / AAA)																		
NHA MBS (AAA / Aaa / AAA)																		
AA CMBS (USD Swaps)																		
AA Taxable Municipal Bonds (US Treasuries)																		

Indicative New Issue Spreads - Jr. Sub Notes (A/Aa2)	RBC						Scotia						TD					
	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year
Benchmark Canada Bond Maturity	01-Dec-48	1-Jun-37	1-Jun-29	1-Jun-27	01-Mar-23	01-Mar-21	01-Dec-48	1-Jun-37	1-Jun-33	1-Jun-27	01-Mar-23	01-Mar-21	30-Nov-44	31-May-33	31-May-25	31-May-23	31-May-19	28-Feb-17
Benchmark Canada Bond Coupon	2.75%	5.00%	5.75%	1.00%	1.75%	0.75%	2.75%	5.00%	5.75%	1.00%	1.75%	0.75%	2.75%	5.00%	5.75%	1.00%	1.50%	0.75%
Benchmark Yield	2.25%	2.23%	2.17%	2.12%	1.99%	1.91%	2.34%	2.33%	2.29%	2.21%	2.05%	1.94%	2.24%	2.22%	2.14%	2.09%	1.98%	1.88%
Curve Adjustment (bp)	0.0	0.8	2.8	1.9	0.4	0.8	0.0	0.6	(0.2)	1.8	0.2	0.3	0.0	0.8	3.2	1.9	0.0	0.9
Spread to GoC Curve (bp)	174	175	174	164	141	125	176	171	159	150	131	115	180	172	162	155	125	110
Re-Offered Yield	3.99%	3.99%	3.93%	3.78%	3.41%	3.17%	4.10%	4.04%	3.88%	3.73%	3.36%	3.09%	4.04%	3.94%	3.79%	3.66%	3.23%	2.99%
Commission (bp)	2.9	3.7	4.0	4.9	7.7	8.8	3.0	3.2	3.6	4.9	7.7	8.6	2.3	3.1	3.5	4.5	7.4	8.6
All-in Yield	**4.02%**	**4.02%**	**3.97%**	**3.83%**	**3.48%**	**3.25%**	**4.13%**	**4.07%**	**3.92%**	**3.78%**	**3.44%**	**3.18%**	**4.06%**	**3.97%**	**3.82%**	**3.71%**	**3.31%**	**3.08%**
All-in Spread to GoC Curve (bp)	**176.88**	**178.66**	**178.01**	**168.85**	**148.69**	**133.81**	**178.51**	**173.65**	**162.57**	**154.36**	**138.17**	**123.63**	**182.31**	**175.12**	**165.54**	**159.47**	**132.40**	**118.62**

Other Comparables (S&P/Moody's/ DBRS)	RBC						Scotia						TD					
Spread to GoC Curve (bp)	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year	3-year
Ontario Power Generation (BBB+/A low)																		
Highway 407 (A, A)																		
Enbridge Gas Distribution (A-, A)																		
Hydro One (A3/A/A high)																		
Schedule 1 Bank ABS (A)																		
ABS - Eagle 2017-1 Sub A Rated Tranche																		
ABS - BMO Fortified Sub A Rated Tranche																		
Hydro One (A/A3/AH)																		
OPG (BBB+/-/AL)																		
10-year A CMBS (USD Swaps)																		

A Taxable Municipal Bonds (US Treasuries)																		
			32.00 68					30.00 60					30.00 60					

	Fair Hydro Spread to Ontarios		
	5 Year	**10 Year**	**15 Year**
5-Feb-18	18.3	21.8	23.9
8-Feb-18	19.3	22.4	24.6
12-Feb-18	19.3	22.7	24.8
20-Feb-18	19.9	20.0	23.7
26-Feb-18	19.6	16.9	23.2
5-Mar-18	20.8	19.4	23.2
12-Mar-18	21.7	21.6	23.7
19-Mar-18	23.0	23.9	27.5
26-Mar-18	22.9	23.5	26.6
3-Apr-18	21.9	20.0	24.3

	Fair Hydro Spread to GOC				Ontario Spread to GOC
30 Year	5 Year	10 Year	15 Year	30 Year	5 Year
29.7	56.8	80.6	91.2	99.1	38.5
30.8	59.3	81.4	92.0	100.4	40.1
31.4	61.0	83.7	94.5	103.6	41.7
32.6	59.8	82.1	94.1	104.8	39.8
31.9	59.4	82.1	94.0	104.6	39.8
30.8	63.4	84.9	96.7	107.1	42.7
32.2	63.8	85.3	97.0	107.9	42.2
35.7	63.7	86.6	97.4	108.6	40.7
35.0	65.8	88.6	99.4	110.6	42.8
32.8	68.0	90.6	102.5	113.0	46.1

10 Year	15 Year	30 Year
58.8	67.3	69.4
59.0	67.4	69.7
61.0	69.7	72.2
62.0	70.4	72.2
65.1	70.8	72.7
65.5	73.5	76.3
63.7	73.3	75.8
62.7	69.9	72.9
65.0	72.8	75.5
70.6	78.2	80.2

	Fair Hydro Spread to Ontarios		
	5 Year	10 Year	15 Year
5-Feb-18	39.7	44.0	47.7
8-Feb-18	45.3	49.2	53.0
12-Feb-18	46.2	50.3	54.2
20-Feb-18	46.8	48.0	53.2
26-Feb-18	46.4	44.9	52.6
5-Mar-18	47.6	47.4	52.6
12-Mar-18	48.7	49.6	53.1
19-Mar-18	50.0	51.9	57.0
26-Mar-18	50.3	51.8	56.3
3-Apr-18	49.3	48.4	54.2

	Fair Hydro Spread to GOC				Ontario Spread to GOC
30 Year	5 Year	10 Year	15 Year	30 Year	5 Year
54.7	78.2	102.8	115.0	124.1	38.5
60.3	85.4	108.2	120.4	130.0	40.1
61.9	87.8	111.3	123.9	134.1	41.7
63.0	86.6	110.1	123.6	135.2	39.8
62.4	86.3	110.1	123.4	135.1	39.8
61.2	90.3	112.9	126.1	137.6	42.7
62.6	90.8	113.3	126.4	138.3	42.2
66.1	90.7	114.6	126.8	139.0	40.7
65.7	93.1	116.8	129.1	141.3	42.8
63.8	95.3	119.0	132.3	144.0	46.1

10 Year	15 Year	30 Year
58.8	67.3	69.4
59.0	67.4	69.7
61.0	69.7	72.2
62.0	70.4	72.2
65.1	70.8	72.7
65.5	73.5	76.3
63.7	73.3	75.8
62.7	69.9	72.9
65.0	72.8	75.5
70.6	78.2	80.2

	Fair Hydro Spread to Ontarios		
	5 Year	10 Year	15 Year
5-Feb-18	60.8	66.8	73.7
8-Feb-18	72.6	78.3	86.1
12-Feb-18	76.0	81.8	93.2
20-Feb-18	76.4	83.6	92.2
26-Feb-18	76.1	80.5	91.6
5-Mar-18	77.3	83.0	91.6
12-Mar-18	78.3	85.2	92.1
19-Mar-18	79.7	87.5	96.0
26-Mar-18	80.3	87.7	95.6
3-Apr-18	79.9	84.7	93.9

	Fair Hydro Spread to GOC				Ontario Spread to GOC
30 Year	5 Year	10 Year	15 Year	30 Year	5 Year
84.5	99.3	125.6	141.0	153.9	38.5
96.8	112.7	137.3	153.5	166.5	40.1
101.5	117.7	142.8	162.9	173.7	41.7
104.0	116.3	145.6	162.6	176.2	39.8
103.4	115.9	145.6	162.4	176.1	39.8
102.2	119.9	148.5	165.1	178.6	42.7
103.6	120.5	148.9	165.4	179.3	42.2
107.1	120.3	150.1	165.8	180.0	40.7
107.0	123.1	152.7	168.4	182.6	42.8
105.3	126.0	155.3	172.1	185.4	46.1

10 Year	15 Year	30 Year
58.8	67.3	69.4
59.0	67.4	69.7
61.0	69.7	72.2
62.0	70.4	72.2
65.1	70.8	72.7
65.5	73.5	76.3
63.7	73.3	75.8
62.7	69.9	72.9
65.0	72.8	75.5
70.6	78.2	80.2

Indicative New Issue Spreads - Senior Notes (AAA/Aa2)	Current	
	30-year	20-year
Benchmark Canada Bond Maturity	01-Dec-48	1-Jun-37
Benchmark Canada Bond Coupon	2.75%	5.00%
Benchmark Yield	2.29%	2.27%
Curve Adjustment (bp)	0.0	0.8
Spread to GoC Curve (bp)	**106**	**105**
Re-Offered Yield	3.35%	3.33%
Commission (bp)	2.6	3.4
All-in Yield	**3.38%**	**3.36%**

Primary Comparable (S&P/Moody's/ DBRS)	Current	
Spread to GoC Curve (bp)	30-year	20-year
ONTARIO: (A+/Aa2/AAL)	84	83

Other Comparables (S&P/Moody's/ DBRS)	Current	
Spread to GoC Curve (bp)	30-year	20-year
ABS - Eagle 2017-1 A (AAA)		
ABS - BMO Fortified (HELOC ABS) (AAA/AAA)		
MBS - BAML NHA MBS (AAA/AAA)		
CMBs: (AAA/Aaa/AAA)		
PSP Investments (AAA/Aaa/AAA)		
CPP Investment Board (AAA/Aaa/AAA)	88	
BMO (Senior) (A+/A1/AA)	122	
Nav Canada (sub) (AA-/Aa2/AAL)	102	

Indicative New Issue Spreads - Sub Notes (AA/Aa2)	Current	
	30-year	20-year
Benchmark Canada Bond Maturity	01-Dec-48	01-Jun-37
Benchmark Canada Bond Coupon	2.75%	5.00%
Benchmark Yield	2.29%	2.27%
Curve Adjustment (bp)	0.0	0.8
Spread to GoC Curve (bp)	**146**	**145**
Re-Offered Yield	3.75%	3.73%
Commission (bp)	2.7	3.5
All-in Yield	**3.78%**	**3.76%**

Primary Comparable (S&P/Moody's/ DBRS)	Current	
Spread to GoC Curve (bp)	30-year	20-year
Province of Ontario (AA- / Aa2 / AA(L))	84	83

Other Comparables (S&P/Moody's/ DBRS)	Current	
Spread to GoC Curve (bp)	30-year	20-year
ABS - BMO Fortified (HELOC ABS) (AA/AA)		
ABS - Ford Floorplan Auto Securitization (AA / AA / AA)		
BMO (Senior) (A+/A1/AA)	122	
Nav Canada (sub) (AA-/Aa2/AAL)	102	
City of Toronto (AA / Aa1 / AA)	104	104

Indicative New Issue Spreads - Jr. Sub Notes (A/Aa2)	Current	
	30-year	20-year
Benchmark Canada Bond Maturity	01-Dec-48	1-Jun-37
Benchmark Canada Bond Coupon	2.75%	5.00%
Benchmark Yield	2.29%	2.27%
Curve Adjustment (bp)	0.0	0.8
Spread to GoC Curve (bp)	**220**	**218**
Re-Offered Yield	4.49%	4.46%
Commission (bp)	2.8	3.6
All-in Yield	**4.52%**	**4.49%**

Primary Comparable (S&P/Moody's/ DBRS)	Current	
Spread to GoC Curve (bp)	30-year	20-year
Province of Ontario (AA- / Aa2 / AA(L))	84	83

Other Comparables (S&P/Moody's/ DBRS)	Current	
Spread to GoC Curve (bp)	30-year	20-year
ABS - Eagle 2017-1 Sub A Rated Tranche		
ABS - BMO Fortified Sub A Rated Tranche		
Hydro One (A/A3/AH)	138	
OPG (BBB+/-/AL)	170	

Generic Corporate Credit Spreads AA	104	
Generic Corporate Credit Spreads A	162	
Generic Corporate Credit Spreads BBB	235	

* Generic Corporate Credit Spreads derived from an average of all Corporate Bonds included

Bank Nam
Date

				Week over Week				
15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year
1-Jun-29	1-Jun-27	01-Sep-22	01-Sep-20					
5.75%	1.00%	2.75%	0.75%					
2.19%	2.15%	2.01%	1.87%	-3bps	-4bps	-6bps	-6bps	-7bps
3.4	2.0	0.5	5.9	0bps	0bps	0bps	0bps	0bps
101	**90**	**66**	**51**	1bps	1bps	1bps	2bps	3bps
3.24%	3.07%	2.67%	2.44%	-2bps	-3bps	-4bps	-4bps	-4bps
3.3	4.6	7.4	6.9					
3.27%	**3.11%**	**2.75%**	**2.51%**	-2bps	-3bps	-4bps	-4bps	-4bps

				Week over Week				
15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year
81.5	72.5	49	30	7bps	7bps	7bps	9bps	6bps

				Week over Week				
15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year
		88						3bps
		82	67					3bps
		67	52					3bps
47	42	33.5	18.5			4bps	4bps	5bps
	68	48	32				2bps	2bps
	68	48	32	2bps			2bps	2bps
	97	80	70	3bps			3bps	3bps
	83	58	51	4bps			2bps	2bps

				Week over Week				
15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year
01-Jun-29	01-Jun-27	01-Sep-22	01-Sep-20					
5.75%	1.00%	2.75%	0.75%					
2.19%	2.15%	2.01%	1.87%	-3bps	-4bps	-6bps	-6bps	-7bps
3.4	2.0	0.5	5.9	0bps	0bps	0bps	0bps	0bps
140	**120**	**92**	**77**	1bps	1bps	1bps	2bps	3bps
3.63%	3.37%	2.93%	2.70%	-2bps	-3bps	-4bps	-4bps	-4bps
3.4	4.7	7.5	6.9					
3.66%	**3.41%**	**3.01%**	**2.77%**	-2bps	-3bps	-4bps	-4bps	-4bps

				Week over Week				
15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year
82	73	49	30	7bps	7bps	7bps	9bps	6bps

				Week over Week				
15-year	**10-year**	**5-year**	**3-year**	**30-year**	**20-year**	**15-year**	**10-year**	**5-year**
			87					
			102					
	97	80	70	3bps			3bps	3bps
	83	58	51	4bps			2bps	2bps
101.5	89	64.5	43.5	7bps	7bps	7bps	9bps	6bps

				Week over Week				
15-year	**10-year**	**5-year**	**3-year**	**30-year**	**20-year**	**15-year**	**10-year**	**5-year**
1-Jun-29	1-Jun-27	01-Sep-22	01-Sep-20					
5.75%	1.00%	2.75%	0.75%					
2.19%	2.15%	2.01%	1.87%	-3bps	-4bps	-6bps	-6bps	-7bps
3.4	2.0	0.5	5.9	0bps	0bps	0bps	0bps	0bps
207	**170**	**136**	**122**	0bps	0bps	0bps	2bps	3bps
4.30%	3.87%	3.37%	3.15%	-3bps	-4bps	-5bps	-4bps	-4bps
3.5	4.7	7.5	6.9					
4.33%	**3.91%**	**3.45%**	**3.22%**	-3bps	-4bps	-5bps	-4bps	-4bps

				Week over Week				
15-year	**10-year**	**5-year**	**3-year**	**30-year**	**20-year**	**15-year**	**10-year**	**5-year**
82	73	49	30	7bps	7bps	7bps	9bps	6bps

				Week over Week				
15-year	**10-year**	**5-year**	**3-year**	**30-year**	**20-year**	**15-year**	**10-year**	**5-year**
		153						3bps
		135						3bps
	100	75	60	3bps			4bps	4bps
	123	98	83	4bps			4bps	4bps

	93	72		2bps			4bps	4bps
	121	90		4bps			4bps	5bps
	180	126		3bps			5bps	5bps

in BMO Corporate Bond Universe Pricing

Bank of Montreal
3-Apr-18

3-year
-6bps 0bps 5bps -1bps
-1bps

3-year
3bps

3-year
5bps 5bps 1bps 2bps 2bps 5bps 4bps

3-year
-6bps 0bps 5bps -1bps
-1bps

3-year
3bps

3-year
5bps
5bps
5bps
4bps
3bps

3-year
-6bps
0bps
5bps
-1bps
-1bps

3-year
3bps

3-year
6bps
6bps

Note: All ratings are to be confirmed

Indicative New Issue Spreads - Senior Notes (AAA/Aa2)	30-year
Benchmark Canada Bond Maturity	01-Dec-48
Benchmark Canada Bond Coupon	2.75%
Benchmark Yield	2.25%
Curve Adjustment (bp)	0.0
Spread to GoC Curve (bp)	**117**
Re-Offered Yield	3.41%
Commission (bp)	2.7
All-in Yield	**3.44%**

Primary Comparable (S&P/Moody's/ DBRS)	
Spread to GoC Curve (bp)	**30-year**
Province of Ontario (AA- / Aa2 / AA(l))	81

Other Comparables (S&P/Moody's/ DBRS)	
Spread to GoC Curve (bp)	**30-year**
OPG (BBB+ / - / A(l))	171
Toronto Hydro (A / - / A)	132
Nova Scotia Power (BBB+ / - / A(l))	148
FortisAlberta (A- / Baa1 / A(l))	136
Brookfield Renewable Energy Partners (BBB / - / BBB(H))	242
Bruce Power (BBB / Baa2 / BBB)	208
City of Toronto (- / Aa1 / AA)	103

Indicative New Issue Spreads - Sub Notes (AA/Aa2)	30-year
Benchmark Canada Bond Maturity	01-Dec-48
Benchmark Canada Bond Coupon	2.75%
Benchmark Yield	2.25%
Curve Adjustment (bp)	0.0
Spread to GoC Curve (bp)	**142**
Re-Offered Yield	3.66%
Commission (bp)	2.7
All-in Yield	**3.69%**

Primary Comparable (S&P/Moody's/ DBRS)	
Spread to GoC Curve (bp)	**30-year**
Province of Ontario (AA- / Aa2 / AA(l))	81

Other Comparables (S&P/Moody's/ DBRS)	
Spread to GoC Curve (bp)	**30-year**
Bank ABS (AAA / - / AAA)	--
Auto ABS (Ford) (AAA / Aaa / AAA)	--
NHA MBS (AAA / Aaa / AAA)	--

Indicative New Issue Spreads - Jr. Sub Notes (A/Aa2)	**30-year**
Benchmark Canada Bond Maturity	01-Dec-48
Benchmark Canada Bond Coupon	2.75%
Benchmark Yield	2.25%
Curve Adjustment (bp)	0.0
Spread to GoC Curve (bp)	**167**
Re-Offered Yield	3.91%
Commission (bp)	2.7
All-in Yield	**3.94%**

Primary Comparable (S&P/Moody's/ DBRS)	
Spread to GoC Curve (bp)	**30-year**
Province of Ontario (AA- / Aa2 / AA(l))	81

Other Comparables (S&P/Moody's/ DBRS)	
Spread to GoC Curve (bp)	**30-year**

Bank Nam
Date

Current					Week over Week				
20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year
01-Jun-37	01-Jun-33	01-Jun-28	01-Jun-25	01-Mar-23	-	-	-	-	-
5.00%	5.75%	2.00%	2.25%	1.75%	-	-	-	-	-
2.22%	2.19%	2.13%	2.08%	1.98%	-0.09%	-0.10%	-0.11%	-0.11%	-0.10%
0.3	(0.2)	(0.3)	(0.6)	0.5	0.0	0.1	(0.0)	0.0	0.0
115	**105**	**92**	**67**	**49**	10	9	10	5	4
3.38%	3.23%	3.04%	2.74%	2.47%	0.01%	-0.01%	-0.01%	-0.06%	-0.06%
2.7	2.4	2.1	1.7	1.2	-	-	-	-	-
3.40%	**3.25%**	**3.06%**	**2.75%**	**2.48%**	**0.01%**	**-0.01%**	**-0.01%**	**-0.06%**	**-0.06%**

Current					Week over Week				
20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year
80	79	72	47	28.5	4	4	4	3	3

Current					Week over Week				
20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year
--	--	123	81	65	2	--	--	2	2
--	--	92	66	54	2	--	--	2	2
--	--	104	75	60	1	--	--	1	1
--	--	95	69	--	2	--	--	2	2
--	--	182	126	102	5	--	--	5	4
--	--	153	108	--	3	--	--	3	3
102	--	83.5	--	--	4	4	--	5	--

Current					Week over Week				
20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year
01-Jun-37	01-Jun-33	01-Jun-28	01-Jun-25	01-Mar-23	-	-	-	-	-
5.00%	5.75%	2.00%	2.25%	1.75%	-	-	-	-	-
2.22%	2.19%	2.13%	2.08%	1.98%	-0.09%	-0.10%	-0.11%	-0.11%	-0.10%
0.3	(0.2)	(0.3)	(0.6)	0.5	0	0	(0)	0	0
140	**130**	**116.5**	**92**	**73.5**	10	9	10	5	4
3.63%	3.48%	3.29%	2.99%	2.72%	0.01%	-0.01%	-0.01%	-0.06%	-0.06%
2.7	2.4	2.1	1.7	1.2	0.00%	0.00%	0.00%	0.00%	0.00%
3.65%	**3.50%**	**3.31%**	**3.00%**	**2.73%**	**0.01%**	**-0.01%**	**-0.01%**	**-0.06%**	**-0.06%**

Current					Week over Week				
20-year	15-year	10-year	5-year	3-year	30-year	20-year	15-year	10-year	5-year
80	78.5	71.5	47	28.5	4	4	4	3	3

Current					Week over Week				
20-year	**15-year**	**10-year**	**5-year**	**3-year**	**30-year**	**20-year**	**15-year**	**10-year**	**5-year**
--	--	--	80	67	--	--	--	--	0
--	--	--	92	79	--	--	--	--	3
--	--	--	48	37	--	--	--	--	1

Current					Week over Week				
20-year	**15-year**	**10-year**	**5-year**	**3-year**	**30-year**	**20-year**	**15-year**	**10-year**	**5-year**
1-Jun-37	1-Jun-33	1-Jun-28	01-Jun-25	01-Mar-23	-	-	-	-	-
5.00%	5.75%	2.00%	2.25%	1.75%	-	-	-	-	-
2.22%	2.19%	2.13%	2.08%	1.98%	-0.09%	-0.10%	-0.11%	-0.11%	-0.10%
0.3	(0.2)	(0.3)	(0.6)	0.5	0	0	(0)	0	0
165	**155**	**141.5**	**117**	**98.5**	10	9	10	5	4
3.88%	3.73%	3.54%	3.24%	2.97%	0.01%	-0.01%	-0.01%	-0.06%	-0.06%
2.7	2.4	2.1	1.7	1.2	-	-	-	-	-
3.90%	**3.75%**	**3.56%**	**3.25%**	**2.98%**	**0.01%**	**-0.01%**	**-0.01%**	**-0.06%**	**-0.06%**

Current					Week over Week				
20-year	**15-year**	**10-year**	**5-year**	**3-year**	**30-year**	**20-year**	**15-year**	**10-year**	**5-year**
80	78.5	71.5	47	28.5	4	4	4	3	3

Current					Week over Week				
20-year	**15-year**	**10-year**	**5-year**	**3-year**	**30-year**	**20-year**	**15-year**	**10-year**	**5-year**

CIBC
4/2/2018

	3-year
Beta	-
Standard Deviation	-
Mean	-0.10%
Sharpe Ratio	0.1
Information Ratio	3
Alpha	-0.07%
Treynor Ratio	-
	-0.07%

	3-year
Up Capture Ratio	1

	3-year
Number of Up Periods	2
Number of Down Periods	2
Up Capture Ratio	1
Down Capture Ratio	--
Number of Up Periods	2
Down Capture Ratio	--
Number of Down Periods	--

	3-year
Beta	-
Standard Deviation	-
Mean	-0.10%
Sharpe Ratio	0
Information Ratio	3
Alpha	-0.07%
Treynor Ratio	0.00%
	-0.07%

	3-year
Down Capture Ratio	1

3-year
1
3
0

3-year
-
-
-0.10%
0
3
-0.07%
-
-0.07%

3-year
1

3-year

	30-year	20-year
Benchmark Canada Bond Maturity	1DEC48	1JUN37 and 1JUN41
Benchmark Canada Bond Coupon	2.750%	4.000%
Benchmark Yield	2.289%	2.270%
Curve Adjustment (bp)	0.000%	0.007%
Spread to GoC Curve (bp)	**1.219%**	**1.119%**
Re-Offered Yield	3.508%	3.389%
Commission (bp)	0.017%	0.025%
All-in Yield	**3.52%**	**3.41%**

Primary Comparable (S&P/Moody's/ DBRS)		
Spread to GoC Curve (bp)	**30-year**	**20-year**
Province of Ontario (AA- / Aa2 / AA(l))	**0.8110%**	**0.82700%**

Other Comparables (S&P/Moody's/ DBRS)		
Spread to Relevant Benchmark (bp)	**30-year**	**20-year**
AAA CMBS (USD Swaps)		
AAA Taxable Municipal Bonds (US Treasuries)	+90 AREA	-80 AREA (vs 30y U

Indicative New Issue Spreads - Sub Notes (AA/Aa2)	30-year	20-year
Benchmark Canada Bond Maturity	1DEC48	1JUN37 and 1JUN41
Benchmark Canada Bond Coupon	2.750%	4.000%
Benchmark Yield	2.289%	2.270%
Curve Adjustment (bp)	0.000%	0.007%
Spread to GoC Curve (bp)	**1.519%**	**1.419%**
Re-Offered Yield	3.808%	3.689%
Commission (bp)	0.017%	0.025%
All-in Yield	**3.82%**	**3.71%**

Primary Comparable (S&P/Moody's/ DBRS)	

Spread to GoC Curve (bp)	30-year	20-year
Province of Ontario (AA- / Aa2 / AA(l))	**0.8110%**	**0.82700%**

Other Comparables (S&P/Moody's/ DBRS)		
Spread to Relevant Benchmark (bp)	**30-year**	**20-year**
AA CMBS (USD Swaps)		
AA Taxable Municipal Bonds (US Treasuries)	+105 - 110 AREA	90 AREA (vs 30y US

ndicative New Issue Spreads - Jr. Sub Notes (A/Aa2	**30-year**	**20-year**
Benchmark Canada Bond Maturity	1DEC48	1JUN37 and 1JUN41
Benchmark Canada Bond Coupon	2.750%	4.000%
Benchmark Yield	2.289%	2.270%
Curve Adjustment (bp)	0.000%	0.007%
Spread to GoC Curve (bp)	**2.119%**	**2.019%**
Re-Offered Yield	4.408%	4.289%
Commission (bp)	0.017%	0.025%
All-in Yield	**4.42%**	**4.31%**

Primary Comparable (S&P/Moody's/ DBRS)		
Spread to GoC Curve (bp)	**30-year**	**20-year**
Province of Ontario (AA- / Aa2 / AA(l))	**0.8110%**	**0.82700%**

Other Comparables (S&P/Moody's/ DBRS)		
Spread to Relevant Benchmark (bp)	**30-year**	**20-year**
10-year A CMBS (USD Swaps)		
A Taxable Municipal Bonds (US Treasuries)	+130 - 135 AREA	- 120 AREA (vs 30y

Current				
15-year	**10-year**	**5-year**	**3-year**	**30-year**
1JUN29 and 1JUN33	1JUN27 and 1JUN29			
5.750%	2.000%			
2.220%	2.165%			
0.049%	0.008%			
1.019%	**0.819%**			
3.239%	2.984%			
0.033%	0.050%			
3.27%	**3.03%**			

Current				
15-year	**10-year**	**5-year**	**3-year**	**30-year**
0.78600%	**0.75400%**			

Current				
15-year	**10-year**	**5-year**	**3-year**	**30-year**
-105 AREA (vs 10y	80 bps area +70-75 AREA	+60 - 65 AREA	+50 - 55 AREA	+0 bps

Current				
15-year	**10-year**	**5-year**	**3-year**	**30-year**
1JUN29 and 1JUN33	1JUN27 and 1JUN29			
5.750%	2.000%			
2.220%	2.165%			
0.049%	0.008%			
1.319%	**1.119%**			
3.539%	3.284%			
0.033%	0.050%			
3.54%	**3.33%**			

Current	

15-year	10-year	5-year	3-year	30-year
0.78600%	**0.75400%**			

Current				
15-year	**10-year**	**5-year**	**3-year**	**30-year**
- 120 AREA (vs 10y	100 - 115 bps AREA +90 - 95 AREA	+65 - 70 AREA	+50 - 55 AREA	+0 bps

Current				
15-year	**10-year**	**5-year**	**3-year**	**30-year**
1JUN29 and 1JUN33	1JUN27 and 1JUN29			
5.750%	2.000%			
2.220%	2.165%			
0.049%	0.008%			
1.919%	**1.719%**			
4.139%	3.884%			
0.033%	0.050%			
4.14%	**3.93%**			

Current				
15-year	**10-year**	**5-year**	**3-year**	**30-year**
0.78600%	**0.75400%**			

Current				
15-year	**10-year**	**5-year**	**3-year**	**30-year**
- 145 AREA (vs 10y	150 - 160 bps AREA +110 - 115 AREA	+85 - 90 AREA	+75 - 80 AREA	+0 bps

Bank Name	GS
Date	2/15/2018

Week over Week				
20-year	15-year	10-year	5-year	3-year

Week over Week				
20-year	15-year	10-year	5-year	3-year

Week over Week				
20-year	15-year	10-year	5-year	3-year
+0 bps	+0 bps	+0 bps +0 bps	+0 bps	+0 bps

Week over Week				
20-year	15-year	10-year	5-year	3-year

Week over Week

20-year	15-year	10-year	5-year	3-year

Week over Week				
20-year	**15-year**	**10-year**	**5-year**	**3-year**
+0 bps	+0 bps	+0 bps +0 bps	+0 bps	+0 bps

Week over Week				
20-year	**15-year**	**10-year**	**5-year**	**3-year**

Week over Week				
20-year	**15-year**	**10-year**	**5-year**	**3-year**

Week over Week				
20-year	**15-year**	**10-year**	**5-year**	**3-year**
+0 bps	+0 bps	+0 bps +0 bps	+0 bps	+0 bps

Fair Hydro Trust, Indicative Spreads from NBC

(Moodys, DBRS)

Indicative New Issue Spreads - Senior Notes (Aa2/AAA)	
	30-year
Benchmark Canada Bond Maturity	01-Dec-48
Benchmark Canada Bond Coupon	2.75%
Benchmark Yield	2.23%
Curve Adjustment (bp)	0.0
Spread to GoC Curve (bp)	115
Re-Offered Yield	3.38%
Commission (bp)	2.7
All-in Yield	**3.41%**

Primary Comparable (S&P/Moody's/ DBRS)	
Spread to GoC Curve (bp)	**30-year**
Province of Ontario (AA- / Aa2 / AA(L))	80

Other Comparables (S&P/Moody's/ DBRS)	
Spread to GoC Curve (bp)	**30-year**
Schedule I Bank deposit notes (A1-Aa2 ; A-AA- ; AA)	140
Schedule I Bank covered bonds (Aaa ; AAA ; AAA)	123
Schedule I Bank ABS (Aaa ; AAA ; AAA)	145
FHT Series 2018-1	

Indicative New Issue Spreads - Sub Notes (Aa2/AA)	
	30-year
Benchmark Canada Bond Maturity	01-Dec-48
Benchmark Canada Bond Coupon	2.75%
Benchmark Yield	2.23%
Curve Adjustment (bp)	0.0
Spread to GoC Curve (bp)	140
Re-Offered Yield	3.63%
Commission (bp)	2.7
All-in Yield	**3.66%**

Primary Comparable (S&P/Moody's/ DBRS)	
Spread to GoC Curve (bp)	**30-year**
Province of Ontario (AA- / Aa2 / AA(L))	80

Other Comparables (S&P/Moody's/ DBRS)	
Spread to GoC Curve (bp)	**30-year**
Highway 407 (A, A)	130
NAV Canada (AA-, AA low)	100
GTAA (Aa3, A+)	100
Hydro One (A3/A/A high)	135

Indicative New Issue Spreads - Jr. Sub Notes (Aa2/A)	
	30-year
Benchmark Canada Bond Maturity	01-Dec-48
Benchmark Canada Bond Coupon	2.75%
Benchmark Yield	2.23%
Curve Adjustment (bp)	0.0
Spread to GoC Curve (bp)	170
Re-Offered Yield	3.93%
Commission (bp)	2.7
All-in Yield	**3.96%**

Primary Comparable (S&P/Moody's/ DBRS)	
Spread to GoC Curve (bp)	**30-year**
Province of Ontario (AA- / Aa2 / AA(L))	80

Other Comparables (S&P/Moody's/ DBRS)	
Spread to GoC Curve (bp)	**30-year**
Ontario Power Generation (BBB+/A low)	160
Highway 407 (A, A)	130
Enbridge Gas Distribution (A-, A)	135
Hydro One (A3/A/A high)	135
Schedule 1 Bank ABS (A)	200

Current			
20-year	**15-year**	**10-year**	**5-year**
1-Jun-37	1-Jun-33	1-Jun-27	01-Jun-22
5.00%	5.75%	1.00%	2.75%
2.21%	2.17%	2.06%	1.98%
0.0	0.0	0.0	0.0
112	103	90	67
3.33%	3.20%	2.96%	2.65%
3.5	3.8	4.7	7.5
3.36%	**3.24%**	**3.01%**	**2.73%**

Current			
20-year	**15-year**	**10-year**	**5-year**
79	78	68.5	45.5

Current			
20-year	**15-year**	**10-year**	**5-year**
134	117	100	80
117	100	85	65
138	119	100	80
	100		

Current			
20-year	**15-year**	**10-year**	**5-year**
1-Jun-37	1-Jun-33	1-Jun-27	01-Jun-22
5.00%	5.75%	1.00%	2.75%
2.21%	2.17%	2.06%	1.98%
0.0	0.0	0.0	0.0
137	126	112	88
3.58%	3.43%	3.18%	2.86%
3.5	3.8	4.7	7.5
3.61%	**3.47%**	**3.23%**	**2.94%**

Current			
20-year	**15-year**	**10-year**	**5-year**
79	78	69	46

Current			
20-year	**15-year**	**10-year**	**5-year**
124	107	90	65
98	91	85	60
98	91	85	60
129	112	95	75

Current			
20-year	**15-year**	**10-year**	**5-year**
1-Jun-37	1-Jun-33	1-Jun-27	01-Jun-22
5.00%	5.75%	1.00%	2.75%
2.21%	2.17%	2.06%	1.98%
0.0	0.0	0.0	0.0
167	156	135	107
3.88%	3.73%	3.41%	3.05%
3.5	3.8	4.7	7.5
3.91%	**3.77%**	**3.46%**	**3.13%**

Current			
20-year	**15-year**	**10-year**	**5-year**
79	78	69	46

Current			
20-year	**15-year**	**10-year**	**5-year**
155	140	125	95
124	107	90	65
130	115	100	75
129	112	95	75
193	174	155	135

			Week
3-year	**30-year**	**20-year**	**15-year**
01-Sep-20	01-Dec-48	1-Jun-37	1-Jun-29
0.75%	0.00%	0.00%	0.00%
1.90%	-0.10%	-0.11%	-0.13%
0.0	0.0	0.0	0.0
52	2	2	3
2.42%	-0.08%	-0.09%	-0.10%
8.7	0.0	0.0	0.0
2.51%	**-0.08%**	**-0.09%**	**-0.10%**

			Week
3-year	**30-year**	**20-year**	**15-year**
29.5	4	4	5.5

			Week
3-year	**30-year**	**20-year**	**15-year**
70	5	5	5
57	5	5	5
70	5	3	1
			3

			Week
3-year	**30-year**	**20-year**	**15-year**
01-Sep-20	01-Dec-48	01-Jun-37	01-Jun-29
0.75%	0.00%	0.00%	0.00%
1.90%	-0.10%	-0.11%	-0.13%
0.0	0.0	0.0	0.0
73	2	2	2
2.63%	-0.08%	-0.09%	-0.11%
8.7	0.0	0.0	0.0
2.72%	**-0.08%**	**-0.09%**	**-0.11%**

			Week
3-year	**30-year**	**20-year**	**15-year**
30	4	4	6

			Week
3-year	**30-year**	**20-year**	**15-year**
55	0	1	3
50	5	5	5
50	0	1	3
60	5	5	5

	Week

3-year	30-year	20-year	15-year
01-Sep-20	01-Dec-48	1-Jun-37	1-Jun-29
0.75%	0.00%	0.00%	0.00%
1.90%	-0.10%	-0.11%	-0.13%
0.0	0.0	0.0	0.0
92	2	2	4
2.82%	-0.08%	-0.09%	-0.09%
8.7	0.0	0.0	0.0
2.91%	**-0.08%**	**-0.09%**	**-0.09%**

	Week

3-year	30-year	20-year	15-year
30	4	4	6

	Week

3-year	30-year	20-year	15-year
80	5	5	5
55	0	1	3
60	5	5	5
60	5	5	5
120	5	3	1

Bank Name	National Bank of Canada
Date	4/2/2018

over Week

10-year	5-year	3-year
1-Jun-27	01-Jun-22	01-Sep-20
0.00%	0.00%	0.00%
-0.18%	-0.11%	-0.09%
0.0	0.0	0.0
3	3	2
-0.15%	-0.08%	-0.07%
0.0	0.0	0.0
-0.15%	**-0.08%**	**-0.07%**

over Week

10-year	5-year	3-year
5	3	3

over Week

10-year	5-year	3-year
5	5	5
5	5	5
5	5	5

over Week

10-year	5-year	3-year
01-Jun-27	01-Jun-22	01-Sep-20
0.00%	0.00%	0.00%
-0.18%	-0.11%	-0.09%
0.0	0.0	0.0
2	1	1
-0.16%	-0.10%	-0.08%
0.0	0.0	0.0
-0.16%	**-0.10%**	**-0.08%**

over Week

10-year	5-year	3-year
5	3	3

over Week

10-year	5-year	3-year
5	5	5
5	5	5
5	5	5
5	5	5

over Week		
10-year	**5-year**	**3-year**
1-Jun-27	01-Jun-22	01-Sep-20
0.00%	0.00%	0.00%
-0.18%	-0.11%	-0.09%
0.0	0.0	0.0
3	3	2
-0.15%	-0.08%	-0.07%
0.0	0.0	0.0
-0.15%	**-0.08%**	**-0.07%**

over Week		
10-year	**5-year**	**3-year**
5	3	3

over Week		
10-year	**5-year**	**3-year**
5	5	5
5	5	5
5	5	5
5	5	5
5	5	5

Indicative New Issue Spreads - Senior Notes (AAA/Aa2)	30-year
Benchmark Canada Bond Maturity	01-Dec-48
Benchmark Canada Bond Coupon	2.75%
Benchmark Yield	**2.25%**
Curve Adjustment (bp)	**0.0**
Spread to GoC Curve (bp)	**106**
Re-Offered Yield	3.31%
Commission (bp)	2.7
All-in Yield	**3.34%**

Primary Comparable (S&P/Moody's/ DBRS)	
Spread to GoC Curve (bp)	**30-year**
Province of Ontario (AA- / Aa2 / AA(L))	**81**

Other Comparables (S&P/Moody's/ DBRS)	
Spread to GoC Curve (bp)	**30-year**
Canada Mortgage & Housing Corp (AAA/Aaa/AAA)	**n/a**
City of Toronto (AA/Aa1/AA)	**103**
Hydro One Inc. (A(H)/A3/A)	**141**
Ontario Power Generation Inc. (A(low)/-/BBB+)	**162**
Toronto Hydro Corporation (A/-/A)	**135**
Canadian National Railway Co (A/A2/A)	**134**
Greater Toronto Airports Authority (A(high)/Aa3/A+)	**101**
NAV Canada (AA(low)/Aa2/AA-)	**100**

Indicative New Issue Spreads - Sub Notes (AA/Aa2)	30-year
Benchmark Canada Bond Maturity	01-Dec-48
Benchmark Canada Bond Coupon	2.75%
Benchmark Yield	2.25%
Curve Adjustment (bp)	0.0
Spread to GoC Curve (bp)	**138**
Re-Offered Yield	3.63%
Commission (bp)	2.8
All-in Yield	**3.66%**

Primary Comparable (S&P/Moody's/ DBRS)	
Spread to GoC Curve (bp)	**30-year**
Province of Ontario (AA- / Aa2 / AA(L))	81

Other Comparables (S&P/Moody's/ DBRS)	
Spread to GoC Curve (bp)	**30-year**
RBC Sr-Sub.	**n/a**

Indicative New Issue Spreads - Jr. Sub Notes (A/Aa2)	
	30-year
Benchmark Canada Bond Maturity	01-Dec-48
Benchmark Canada Bond Coupon	2.75%
Benchmark Yield	2.25%
Curve Adjustment (bp)	0.0
Spread to GoC Curve (bp)	**174**
Re-Offered Yield	3.99%
Commission (bp)	2.9
All-in Yield	**4.02%**

Primary Comparable (S&P/Moody's/ DBRS)	
Spread to GoC Curve (bp)	**30-year**
Province of Ontario (AA- / Aa2 / AA(L))	81

Other Comparables (S&P/Moody's/ DBRS)	
Spread to GoC Curve (bp)	**30-year**

The indicative price is not an offer to purchase or sell any instrument or enter into, transfer and assign, or terminate a an indicative price of an instrument or transaction such as the instrument or transaction for which an indicative price i prices or valuations for the instrument or transaction and can be less favourable to you.

The indicative price does not necessarily reflect the price or valuation used by RBC for different purposes, such as ac RBC to continue to provide prices to you in regard to this product or transaction or to provide prices to you in regard t any transaction with any counterparty at this price.

The indicative price is provided by way of example only, and is not intended to replace or supplant advice of your aud EVENT SHALL RBC OR ITS AGENTS OR OFFICERS BE LIABLE FOR ANY DAMAGES WHATSOEVER (INCLUDI the indicative price is adequate or appropriate for your purposes.

The information provided in this valuation (the “Information”) (i) is intended for your information only and is not to be d the fullest extent permissible by law, shall have no liability whatsoever to you or any other person or party for any loss

-- Confidential --

Current			
20-year	**15-year**	**10-year**	**5-year**
1-Jun-37	1-Jun-29	1-Jun-27	01-Mar-23
5.00%	5.75%	1.00%	1.75%
2.23%	**2.17%**	**2.12%**	**1.99%**
0.8	**2.8**	**1.9**	**0.4**
107	**106**	**96**	**73**
3.31%	3.25%	3.10%	2.73%
3.4	3.8	4.7	7.6
3.34%	**3.29%**	**3.15%**	**2.80%**

Current			
20-year	**15-year**	**10-year**	**5-year**
82	**81**	**71**	**48**

Current			
20-year	**15-year**	**10-year**	**5-year**
n/a	**n/a**	**40**	**32**
103	**98**	**88**	**63**
n/a	**n/a**	**97**	**65**
n/a	**n/a**	**120**	**89**
n/a	**n/a**	**95**	**62**
n/a	**n/a**	**93**	**69**
n/a	**n/a**	**80**	**60**
n/a	**n/a**	**80**	**60**

Current			
20-year	**15-year**	**10-year**	**5-year**
01-Jun-37	01-Jun-29	01-Jun-27	01-Mar-23
5.00%	5.75%	1.00%	1.75%
2.23%	2.17%	2.12%	1.99%
0.8	2.8	1.9	0.4
139	**138**	**128**	**105**
3.63%	3.57%	3.42%	3.05%
3.5	3.9	4.8	7.6
3.66%	**3.61%**	**3.47%**	**3.12%**

Current			
20-year	**15-year**	**10-year**	**5-year**
82	81	71	48

Current			
20-year	**15-year**	**10-year**	**5-year**
n/a	**n/a**	**68**	**45**

Current			
20-year	**15-year**	**10-year**	**5-year**
1-Jun-37	1-Jun-29	1-Jun-27	01-Mar-23
5.00%	5.75%	1.00%	1.75%
2.23%	2.17%	2.12%	1.99%
0.8	2.8	1.9	0.4
175	**174**	**164**	**141**
3.99%	3.93%	3.78%	3.41%
3.7	4.0	4.9	7.7
4.02%	**3.97%**	**3.83%**	**3.48%**

Current			
20-year	**15-year**	**10-year**	**5-year**
82	81	71	48

Current			
20-year	**15-year**	**10-year**	**5-year**

DISCLAIMER FOR CLIENT PRICING

ıny transaction, or a commitment by Royal Bank of Canada and its subsidiaries (collectively RBC) to make such an offl
s being provided to you may differ substantially from a firm price of such instrument or transaction. The indicative price

:counting, internal reporting or capital adequacy purposes. The difference between the indicative price and the price or
o any other existing or future transactions between you and RBC. The indicative price does not in any way amend, mo

itors, lawyers and other advisors, and does not create any relationship between RBC and you or any individual or entit
NG, WITHOUT LIMITATION, DAMAGES FOR LOSS OF PROFITS, BUSINESS INTERRUPTION, LOSS OF INFORM

lisclosed to, provided to, or used by, any other person or party; (ii) is supplied by us in good faith; and (iii) is based on i
; or damage, direct or indirect, arising from the use of the Information.

Bank Name
Date

	Week over Week				
3-year	30-year	20-year	15-year	10-year	5-year
01-Mar-21					
0.75%					
1.91%	-8.7	-9.8	-10.1	-10.2	-9.6
0.8	-	0.1	-0.1	0.1	0.1
57	4.0	5.0	6.0	4.0	4.0
2.49%	-4.7	-4.7	-4.2	-6.1	-5.5
8.7	-0.0	-0.0	-0.0	-0.0	-0.0
2.57%	-4.7	-4.7	-4.2	-6.1	-5.5

	Week over Week				
3-year	30-year	20-year	15-year	10-year	5-year
32	4.5	5.0	4.0	4.0	4.0

	Week over Week				
3-year	30-year	20-year	15-year	10-year	5-year
18				1.5	2.5
45	5.0	4.5	4.5	5.5	4.0
55	3.0			1.0	-
77	2.0			2.0	2.0
52	4.0			2.0	-
61	2.0			2.0	2.0
50	1.0			-	-
50	2.0			2.0	2.0

	Week over Week				
3-year	30-year	20-year	15-year	10-year	5-year
01-Mar-21					
0.75%					
1.91%					
0.8					
89	6.0	7.0	8.0	6.0	6.0
2.81%	-2.7	-2.7	-2.2	-4.1	-3.5
8.8	-0.01	-0.01	-0.01	-0.01	-0.01
2.89%	-2.7	-2.7	-2.2	-4.1	-3.5

	Week over Week				
3-year	30-year	20-year	15-year	10-year	5-year
32	4.5	5.0	4.0	4.0	4.0

	Week over Week				
3-year	30-year	20-year	15-year	10-year	5-year
n/a				-	-

	Week over Week				
3-year	**30-year**	**20-year**	**15-year**	**10-year**	**5-year**
01-Mar-21					
0.75%					
1.91%					
0.8					
125	8.0	9.0	10.0	8.0	8.0
3.17%	-0.7	-0.7	-0.2	-2.1	-1.5
8.8	-0.00	-0.00	-0.00	-0.00	-0.00
3.25%	-0.7	-0.7	-0.2	-2.1	-1.5

	Week over Week				
3-year	**30-year**	**20-year**	**15-year**	**10-year**	**5-year**
32	4.5	5.0	4.0	4.0	4.0

	Week over Week				
3-year	**30-year**	**20-year**	**15-year**	**10-year**	**5-year**

fer, or an indication of RBC's willingness to make such an offer at any time. As a general matter, and particularly in times of distressed markets
e may vary significantly from prices or valuation estimates available from other sources. If RBC decides to quote a firm price, the firm price can

valuation used for RBC's internal purposes may be substantial and not immaterial. The provision of the indicative price to you by RBC does n
dify, alter or restate the terms and conditions to which any existing instruments or transactions are subject. This indicative price does not comm

y at RBC by using the indicative price. The indicative price is provided without any warranty, express or implied, as to its legal effect or complet
MATION) ARISING OUT OF THE USE OF OR INABILITY TO USE THE MATERIALS. You should discuss with your auditors, lawyers and othe

nformation which we believe, but do not guarantee, to be accurate or complete. RBC makes no representation or warranty with respect to the I

RBC
03-Apr-18

	3-year
	-9.1
	0.3
	4.0
	-4.8
	-0.0
	-4.8

	3-year
	3.5

	3-year
	-
	3.0
	-
	1.0
	-
	2.0
	-
	-

	3-year
	6.0
	-2.8
	-0.00
	-2.8

	3-year
	3.5

	3-year

3-year
8.0
-0.8
-0.00
-0.8

3-year
3.5

3-year

or limited liquidity,
differ from prior

ot bind or obligate
ıit RBC to execute

eness. IN NO
ɛr advisors whether

Information and, to

icative New Issue Spreads - Senior Notes (AAA/A	30-year	20-year
Benchmark Canada Bond Maturity	01-Dec-48	1-Jun-37
Benchmark Canada Bond Coupon	2.75%	5.00%
Benchmark Yield	2.34%	2.33%
Curve Adjustment (bp)	0.0	0.6
Spread to GoC Curve (bp)	**+106**	**+105**
Re-Offered Yield	3.40%	3.38%
Commission (bp)	3.0	3.2
All-in Yield	**3.43%**	**3.41%**

Primary Comparable (S&P/Moody's/ DBRS)		
Spread to GoC Curve (bp)	**30-year**	**20-year**
Province of Ontario (AA- / Aa2 / AA(L))	80	80

Other Comparables (S&P/Moody's/ DBRS)		
Spread to GoC Curve (bp)	**30-year**	**20-year**
OPG	167	
CPP	79	
BNS - Denior Deposit Notes	132	
Golden Credit Card Trust		
Master Credit Card Trust		

ndicative New Issue Spreads - Sub Notes (AA/Aa2	30-year	20-year
Benchmark Canada Bond Maturity	01-Dec-48	1-Jun-37
Benchmark Canada Bond Coupon	2.75%	5.00%
Benchmark Yield	2.34%	2.33%
Curve Adjustment (bp)	0.0	0.6
Spread to GoC Curve (bp)	**+141**	**+138**
Re-Offered Yield	3.75%	3.71%
Commission (bp)	3.0	3.2
All-in Yield	**3.78%**	**3.74%**

Primary Comparable (S&P/Moody's/ DBRS)		
Spread to GoC Curve (bp)	**30-year**	**20-year**
Province of Ontario (AA- / Aa2 / AA(L))	80	80

Other Comparables (S&P/Moody's/ DBRS)		
Spread to GoC Curve (bp)	**30-year**	**20-year**
Golden Credit Card Trust		
Master Credit Card Trust		

dicative New Issue Spreads - Jr. Sub Notes (A/Aa	**30-year**	**20-year**
Benchmark Canada Bond Maturity	01-Dec-48	1-Jun-37
Benchmark Canada Bond Coupon	2.75%	5.00%
Benchmark Yield	2.34%	2.33%
Curve Adjustment (bp)	0.0	0.6
Spread to GoC Curve (bp)	**+176**	**+171**
Re-Offered Yield	4.10%	4.04%
Commission (bp)	3.0	3.2
All-in Yield	**4.13%**	**4.07%**

Primary Comparable (S&P/Moody's/ DBRS)		
Spread to GoC Curve (bp)	**30-year**	**20-year**
Province of Ontario (AA- / Aa2 / AA(L))	0	0

Other Comparables (S&P/Moody's/ DBRS)		
Spread to GoC Curve (bp)	**30-year**	**20-year**
Golden Credit Card Trust		
Master Credit Card Trust		

Current				
15-year	**10-year**	**5-year**	**3-year**	**30-year**
1-Jun-33	1-Jun-27	01-Mar-23	01-Mar-21	
5.75%	1.00%	1.75%	0.75%	
2.29%	2.21%	2.05%	1.94%	0.06%
(0.2)	1.8	0.2	0.3	0
+99	**+90**	**+71**	**+55**	2
3.28%	3.13%	2.76%	2.49%	0.08%
3.6	4.9	7.7	8.6	1
3.32%	**3.18%**	**2.84%**	**2.58%**	**0.08%**

Current				
15-year	**10-year**	**5-year**	**3-year**	**30-year**
79	69	45	30	4

Current				
15-year	**10-year**	**5-year**	**3-year**	**30-year**
	122	97	85	4
	69	49	31	1
	102	85	73	3
	98	81	69	
	98	81	69	

Current				
15-year	**10-year**	**5-year**	**3-year**	**30-year**
1-Jun-33	1-Jun-27	01-Mar-23	01-Mar-21	
5.75%	1.00%	1.75%	0.75%	
2.29%	2.21%	2.05%	1.94%	0.06%
(0.2)	1.8	0.2	0.3	0
+129	**+120**	**+101**	**+85**	2
3.58%	3.43%	3.06%	2.79%	0.08%
3.6	4.9	7.7	8.6	1
3.62%	**3.48%**	**3.14%**	**2.88%**	**0.08%**

Current				
15-year	**10-year**	**5-year**	**3-year**	**30-year**
79	69	45	30	4

Current				
15-year	**10-year**	**5-year**	**3-year**	**30-year**
	98	81	69	
	98	81	69	

Current				
15-year	**10-year**	**5-year**	**3-year**	**30-year**
1-Jun-33	1-Jun-27	01-Mar-23	01-Mar-21	
5.75%	1.00%	1.75%	0.75%	
2.29%	2.21%	2.05%	1.94%	0.06%
(0.2)	1.8	0.2	0.3	0
+159	**+150**	**+131**	**+115**	2
3.88%	3.73%	3.36%	3.09%	0.08%
3.6	4.9	7.7	8.6	0
3.92%	**3.78%**	**3.44%**	**3.18%**	**0.08%**

Current				
15-year	**10-year**	**5-year**	**3-year**	**30-year**
73	0	0	0	-76

Current				
15-year	**10-year**	**5-year**	**3-year**	**30-year**
	98	81	69	
	98	81	69	

Bank Name	BNS
Date	4/3/2018

Week over Week				
20-year	**15-year**	**10-year**	**5-year**	**3-year**
0.06%	0.05%	0.05%	0.01%	-0.02%
0	0	0	0	0
2	2	2	2	2
0.08%	0.07%	0.07%	0.03%	0.00%
0	0	0	0	0
0.08%	**0.07%**	**0.07%**	**0.03%**	**0.00%**

Week over Week				
20-year	**15-year**	**10-year**	**5-year**	**3-year**
5	5	5	3	3

Week over Week				
20-year	**15-year**	**10-year**	**5-year**	**3-year**
		4	4	4
		1	2	1
		3	3	3
		5	5	5
		5	5	5

Week over Week				
20-year	**15-year**	**10-year**	**5-year**	**3-year**
0.06%	0.05%	0.05%	0.01%	-0.02%
0	0	0	0	0
2	2	2	2	2
0.08%	0.07%	0.07%	0.03%	0.00%
0	0	0	0	0
0.08%	**0.07%**	**0.07%**	**0.03%**	**0.00%**

Week over Week				
20-year	**15-year**	**10-year**	**5-year**	**3-year**
5	5	5	3	3

Week over Week				
20-year	**15-year**	**10-year**	**5-year**	**3-year**
		5	5	5
		5	5	5

Week over Week				
20-year	**15-year**	**10-year**	**5-year**	**3-year**
0.06%	0.05%	0.05%	0.01%	-0.02%
0	0	0	0	0
2	2	2	2	2
0.08%	0.07%	0.07%	0.03%	0.00%
0	0	0	0	0
0.08%	**0.07%**	**0.07%**	**0.03%**	**0.00%**

Week over Week				
20-year	**15-year**	**10-year**	**5-year**	**3-year**
-75	-1	-64	-42	-27

Week over Week				
20-year	**15-year**	**10-year**	**5-year**	**3-year**
		5	5	5
		5	5	5

Indicative New Issue Spreads - Senior Notes (AAA/Aa2)	30-year	20-year
Benchmark Canada Bond Maturity	30-Nov-44	31-May-33
Benchmark Canada Bond Coupon	2.75%	5.00%
Benchmark Yield	2.24%	2.22%
Curve Adjustment (bp)	0.0	0.8
Spread to GoC Curve (bp)	**120**	**112**
Re-Offered Yield	3.44%	3.34%
Commission (bp)	2.3	3.1
All-in Yield	**3.46%**	**3.37%**

Primary Comparable (S&P/Moody's/ DBRS)		
Spread to GoC Curve (bp)	**30-year**	**20-year**
Province of Ontario (AA- / Aa2 / AA(L))	76	76

Other Comparables (S&P/Moody's/ DBRS)		
Spread to GoC Curve (bp)	**30-year**	**20-year**
OPB Finance Trust (AA+/-/AA(H))	116	106
Covered Bond - Bank (AAA/Aaa/AAA)	N/A	N/A
Hydro One Inc. (A/A3/AH)	138	128

Indicative New Issue Spreads - Sub Notes (AA/Aa2)	30-year	20-year
Benchmark Canada Bond Maturity	30-Nov-44	31-May-33
Benchmark Canada Bond Coupon	2.75%	5.00%
Benchmark Yield	2.24%	2.22%
Curve Adjustment (bp)	0.0	0.8
Spread to GoC Curve (bp)	**150**	**142**
Re-Offered Yield	3.74%	3.64%
Commission (bp)	2.3	3.1
All-in Yield	**3.76%**	**3.67%**

Primary Comparable (S&P/Moody's/ DBRS)		
Spread to GoC Curve (bp)	**30-year**	**20-year**

Province of Ontario (AA- / Aa2 / AA(L))	76	76

Other Comparables (S&P/Moody's/ DBRS)		
Spread to GoC Curve (bp)	**30-year**	**20-year**
MBS		
ABS		

Indicative New Issue Spreads - Jr. Sub Notes (A/Aa2)	**30-year**	**20-year**
Benchmark Canada Bond Maturity	30-Nov-44	31-May-33
Benchmark Canada Bond Coupon	2.75%	5.00%
Benchmark Yield	2.24%	2.22%
Curve Adjustment (bp)	0.0	0.8
Spread to GoC Curve (bp)	**180**	**172**
Re-Offered Yield	4.04%	3.94%
Commission (bp)	2.3	3.1
All-in Yield	**4.06%**	**3.97%**

Primary Comparable (S&P/Moody's/ DBRS)		
Spread to GoC Curve (bp)	**30-year**	**20-year**
Province of Ontario (AA- / Aa2 / AA(L))	76	76

Other Comparables (S&P/Moody's/ DBRS)		
Spread to GoC Curve (bp)	**30-year**	**20-year**
MBS		
ABS		

Current				
15-year	**10-year**	**5-year**	**3-year**	**30-year**
31-May-25	31-May-23	31-May-19	28-Feb-17	-
5.75%	1.00%	1.50%	0.75%	-
2.14%	2.09%	1.98%	1.88%	-0.109%
3.2	1.9	0.0	0.9	-
102	**95**	**65**	**50**	-2
3.19%	3.06%	2.63%	2.39%	-0.13%
3.5	4.5	7.4	8.6	-
3.22%	**3.11%**	**2.71%**	**2.48%**	**-0.13%**

			Current	
15-year	**10-year**	**5-year**	**3-year**	**30-year**
71	66	43	28	0.0

			Current	
15-year	**10-year**	**5-year**	**3-year**	**30-year**
101	92	64	46	-
N/A	87	70	53	N/A
100	92	70	57	3

Current				
15-year	**10-year**	**5-year**	**3-year**	**30-year**
31-May-25	31-May-23	31-May-19	28-Feb-17	-
5.75%	1.00%	1.50%	0.75%	-
2.14%	2.09%	1.98%	1.88%	-0.109%
3.2	1.9	0.0	0.9	-
132	**125**	**95**	**80**	-2
3.49%	3.36%	2.93%	2.69%	-0.13%
3.5	4.5	7.4	8.6	-
3.52%	**3.41%**	**3.01%**	**2.78%**	**-0.13%**

			Current	
15-year	**10-year**	**5-year**	**3-year**	**30-year**

71	66	43	28	0.0

Current				
15-year	**10-year**	**5-year**	**3-year**	**30-year**

Current				
15-year	**10-year**	**5-year**	**3-year**	**30-year**
31-May-25	31-May-23	31-May-19	28-Feb-17	-
5.75%	1.00%	1.50%	0.75%	-
2.14%	2.09%	1.98%	1.88%	-0.109%
3.2	1.9	0.0	0.9	-
162	**155**	**125**	**110**	-2
3.79%	3.66%	3.23%	2.99%	-0.13%
3.5	4.5	7.4	8.6	-
3.82%	**3.71%**	**3.31%**	**3.08%**	**-0.13%**

			Current	
15-year	**10-year**	**5-year**	**3-year**	**30-year**
71	66	43	28	0.0

Current				
15-year	**10-year**	**5-year**	**3-year**	**30-year**

Bank Name	TD Securuties
Date	4/2/2018

Week over Week				
20-year	**15-year**	**10-year**	**5-year**	**3-year**
-	-	-	-	-
-	-	-	-	-
-0.121%	-0.143%	-0.144%	-0.125%	-0.119%
-	-	-	-	-
0	0	-2	-2	-2
-0.12%	-0.14%	-0.16%	-0.15%	-0.14%
-	-	-	-	-
-0.12%	**-0.14%**	**-0.16%**	**-0.15%**	**-0.14%**

20-year	**15-year**	**10-year**	**5-year**	**3-year**
0.0	0.0	0.0	0.0	0.0

20-year	**15-year**	**10-year**	**5-year**	**3-year**
-	0	-	-	0
N/A	N/A	1	4	-2
3	-	-	-	0

Week over Week				
20-year	**15-year**	**10-year**	**5-year**	**3-year**
-	-	-	-	-
-	-	-	-	-
-0.121%	-0.143%	-0.144%	-0.125%	-0.119%
-	-	-	-	-
0	0	-2	-2	-2
-0.12%	-0.14%	-0.16%	-0.15%	-0.14%
-	-	-	-	-
-0.12%	**-0.14%**	**-0.16%**	**-0.15%**	**-0.14%**

20-year	**15-year**	**10-year**	**5-year**	**3-year**

0.0	0.0	0.0	0.0	0.0

Week over Week				
20-year	**15-year**	**10-year**	**5-year**	**3-year**

Week over Week				
20-year	**15-year**	**10-year**	**5-year**	**3-year**
-	-	-	-	-
-	-	-	-	-
-0.121%	-0.143%	-0.144%	-0.125%	-0.119%
-	-	-	-	-
0	0	-2	-2	-2
-0.12%	-0.14%	-0.16%	-0.15%	-0.14%
-	-	-	-	-
-0.12%	**-0.14%**	**-0.16%**	**-0.15%**	**-0.14%**

20-year	**15-year**	**10-year**	**5-year**	**3-year**
0.0	0.0	0.0	0.0	0.0

Week over Week				
20-year	**15-year**	**10-year**	**5-year**	**3-year**

From: John Kim
To: Carlos Yep
Subject: FW: Indicative pricing for AA and A tranches for Series 2018-2
Date: Wednesday, April 25, 2018 8:50:34 AM
Attachments: FHP_NBC_20180419.xlsx

Hi Carlos,

Was there any other indicative spread from other banks on this day?

Thanks,

John

From: Carlos Yep
Sent: Thursday, April 19, 2018 2:06 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: FW: Indicative pricing for AA and A tranches for Series 2018-2

Here is today's indicative spreads from National Bank

From: Bryan, Richard [mailto:richard.bryan@nbc.ca]
Sent: Thursday, April 19, 2018 10:50 AM
To: 'sheen.liu@opg.com' <sheen.liu@opg.com>
Cc: 'LEE John -TREASURY' <john.s.lee@opg.com>; 'ken.ryfa@opg.com'; 'Kevin.Shvarts@ofina.on.ca'; Mike Manning <Mike.Manning@ofina.on.ca>; Linda Smith <Linda.Smith@ofina.on.ca>; Brett Kichiy <Brett.Kichiy@ofina.on.ca>; Ricky Lai <Ricky.Lai@ofina.on.ca>; 'irma.mahmood@opg.com' <irma.mahmood@opg.com>; Carrique, John <John.Carrique@nbc.ca>; Locas, Yves <yves.locas@nbc.ca>; Roy, Linda <Linda.Roy@bnc.ca>; Kalinauskas, Jonathan <Jonathan.Kalinauskas@bnc.ca>
Subject: Indicative pricing for AA and A tranches for Series 2018-2

Hi Sheen, given RBC email confirmation of $400mm AAA 20yr @ GOC CRV +107, please find attached indicative spreads for companion AA and A tranches.

Regards
Rick

CONFIDENTIALITÉ : Ce document est destiné uniquement à la personne ou à l'entité à qui il est adressé. L'information apparaissant dans ce document est de nature légalement privilégiée et confidentielle. Si vous n'êtes pas le destinataire visé ou la personne chargée de le remettre à son destinataire, vous êtes, par la présente, avisé que toute lecture, usage, copie ou communication du contenu de ce document est strictement interdit. De plus, vous êtes prié de communiquer avec l'expéditeur sans délai ou d'écrire à confidentialite@bnc.ca et de détruire ce document immédiatement.
CONFIDENTIALITY: This document is intended solely for the individual or entity to whom it is addressed. The information contained in this document is legally privileged and confidential. If you are not the intended recipient or the person responsible for delivering it to the intended recipient, you are hereby advised that you are strictly prohibited from reading, using, copying or disseminating the contents of this document. Please inform the sender immediately or write to confidentiality@nbc.ca and delete this document immediately.

Fair Hydro Trust, Indicative Spreads from NBC
(Moodys, DBRS)

Bank Name	National Bank of Canada
Date	4/19/2018

Indicative New Issue Spreads - Senior Notes (Aa2/AAA)	**Current**						**Week over Week**					
	30-year	**20-year**	**15-year**	**10-year**	**5-year**	**3-year**	**30-year**	**20-year**	**15-year**	**10-year**	**5-year**	**3-year**
Benchmark Canada Bond Maturity	01-Dec-48	1-Jun-37	1-Jun-33	1-Jun-27	01-Jun-22	01-Sep-20	01-Dec-48	1-Jun-37	1-Jun-29	1-Jun-27	01-Jun-22	01-Sep-20
Benchmark Canada Bond Coupon	2.75%	5.00%	5.75%	1.00%	2.75%	0.75%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Benchmark Yield	2.40%	2.39%	2.35%	2.30%	2.14%	2.02%	0.08%	0.09%	0.11%	0.13%	0.13%	0.09%
Curve Adjustment (bp)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Spread to GoC Curve (bp)	115	107	103	90	67	52	-3	-8	-3	-3	-3	-3
Re-Offered Yield	3.55%	3.46%	3.38%	3.20%	2.81%	2.54%	0.05%	0.01%	0.08%	0.10%	0.10%	0.06%
Commission (bp)	2.7	3.5	3.9	4.7	7.6	8.7	0.0	0.0	0.0	0.0	0.0	0.0
All-in Yield	**3.58%**	**3.49%**	**3.42%**	**3.25%**	**2.89%**	**2.63%**	**0.05%**	**0.01%**	**0.08%**	**0.10%**	**0.10%**	**0.06%**

Primary Comparable (S&P/Moody's/ DBRS)	**Current**						**Week over Week**					
Spread to GoC Curve (bp)	**30-year**	**20-year**	**15-year**	**10-year**	**5-year**	**3-year**	**30-year**	**20-year**	**15-year**	**10-year**	**5-year**	**3-year**
Province of Ontario (AA- / Aa2 / AA(L))	78	79	76	66.5	44	28	-5	-4	-5.5	-6	-5.5	-4

Other Comparables (S&P/Moody's/ DBRS)	**Current**						**Week over Week**					
Spread to GoC Curve (bp)	**30-year**	**20-year**	**15-year**	**10-year**	**5-year**	**3-year**	**30-year**	**20-year**	**15-year**	**10-year**	**5-year**	**3-year**
Schedule I Bank deposit notes (A1-Aa2 ; A-AA- ; AA)	140	134	117	100	80	70	0	0	0	0	0	0
Schedule I Bank covered bonds (Aaa ; AAA ; AAA)	123	117	100	85	65	57	0	0	0	0	0	0
Schedule I Bank ABS (Aaa ; AAA ; AAA)	145	138	119	100	80	70	0	0	0	0	0	0
FHT Series 2018-1			100				0	0	-2	0	0	0

Indicative New Issue Spreads - Sub Notes (Aa2/AA)	**Current**						**Week over Week**					
	30-year	**20-year**	**15-year**	**10-year**	**5-year**	**3-year**	**30-year**	**20-year**	**15-year**	**10-year**	**5-year**	**3-year**
Benchmark Canada Bond Maturity	01-Dec-48	1-Jun-37	1-Jun-33	1-Jun-27	01-Jun-22	01-Sep-20	01-Dec-48	1-Jun-37	1-Jun-29	1-Jun-27	01-Jun-22	01-Sep-20
Benchmark Canada Bond Coupon	2.75%	5.00%	5.75%	1.00%	2.75%	0.75%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Benchmark Yield	2.40%	2.39%	2.35%	2.30%	2.14%	2.02%	0.08%	0.09%	0.11%	0.13%	0.13%	0.09%
Curve Adjustment (bp)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Spread to GoC Curve (bp)	140	132	126	112	88	73	-3	-8	-3	-3	-3	-3
Re-Offered Yield	3.80%	3.71%	3.61%	3.42%	3.02%	2.75%	0.05%	0.01%	0.08%	0.10%	0.10%	0.06%
Commission (bp)	2.7	3.5	3.9	4.7	7.6	8.7	0.0	0.0	0.0	0.0	0.0	0.0
All-in Yield	**3.83%**	**3.74%**	**3.65%**	**3.47%**	**3.10%**	**2.84%**	**0.05%**	**0.01%**	**0.08%**	**0.10%**	**0.10%**	**0.06%**

Primary Comparable (S&P/Moody's/ DBRS)	**Current**						**Week over Week**					
Spread to GoC Curve (bp)	**30-year**	**20-year**	**15-year**	**10-year**	**5-year**	**3-year**	**30-year**	**20-year**	**15-year**	**10-year**	**5-year**	**3-year**
Province of Ontario (AA- / Aa2 / AA(L))	78	79	76	67	44	28	-5	-4	-6	-6	-6	-4

Other Comparables (S&P/Moody's/ DBRS)	**Current**						**Week over Week**					
Spread to GoC Curve (bp)	**30-year**	**20-year**	**15-year**	**10-year**	**5-year**	**3-year**	**30-year**	**20-year**	**15-year**	**10-year**	**5-year**	**3-year**
Highway 407 (A, A)	130	123	104	85	65	55	-5	-5	-5	-5	0	0
NAV Canada (AA-, AA low)	100	97	89	80	55	45	-5	-5	-5	-5	-5	-5
GTAA (Aa3, A+)	100	97	89	80	55	45	-5	-5	-5	-5	-5	-5
Hydro One (A3/A/A high)	135	129	112	95	70	60	-5	-5	-5	-5	-5	0

Indicative New Issue Spreads - Jr. Sub Notes (Aa2/A)	**Current**						**Week over Week**					
	30-year	**20-year**	**15-year**	**10-year**	**5-year**	**3-year**	**30-year**	**20-year**	**15-year**	**10-year**	**5-year**	**3-year**
Benchmark Canada Bond Maturity	01-Dec-48	1-Jun-37	1-Jun-33	1-Jun-27	01-Jun-22	01-Sep-20	01-Dec-48	1-Jun-37	1-Jun-29	1-Jun-27	01-Jun-22	01-Sep-20
Benchmark Canada Bond Coupon	2.75%	5.00%	5.75%	1.00%	2.75%	0.75%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Benchmark Yield	2.40%	2.39%	2.35%	2.30%	2.14%	2.02%	0.08%	0.09%	0.11%	0.13%	0.13%	0.09%
Curve Adjustment (bp)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Spread to GoC Curve (bp)	170	162	156	135	107	92	-3	-8	-3	-3	-3	-3
Re-Offered Yield	4.10%	4.01%	3.91%	3.65%	3.21%	2.94%	0.05%	0.01%	0.08%	0.10%	0.10%	0.06%
Commission (bp)	2.7	3.5	3.9	4.7	7.6	8.7	0.0	0.0	0.0	0.0	0.0	0.0
All-in Yield	**4.13%**	**4.04%**	**3.95%**	**3.70%**	**3.29%**	**3.03%**	**0.05%**	**0.01%**	**0.08%**	**0.10%**	**0.10%**	**0.06%**

Primary Comparable (S&P/Moody's/ DBRS)	**Current**						**Week over Week**					
Spread to GoC Curve (bp)	**30-year**	**20-year**	**15-year**	**10-year**	**5-year**	**3-year**	**30-year**	**20-year**	**15-year**	**10-year**	**5-year**	**3-year**
Province of Ontario (AA- / Aa2 / AA(L))	78	79	76	67	44	28	-5	-4	-6	-6	-6	-4

Other Comparables (S&P/Moody's/ DBRS)	**Current**						**Week over Week**					
Spread to GoC Curve (bp)	**30-year**	**20-year**	**15-year**	**10-year**	**5-year**	**3-year**	**30-year**	**20-year**	**15-year**	**10-year**	**5-year**	**3-year**
Ontario Power Generation (BBB+/A low)	155	149	132	115	90	75	-10	-10	-10	-10	-5	-5
Highway 407 (A, A)	130	123	104	85	65	55	-5	-5	-5	-5	0	0
Enbridge Gas Distribution (A-, A)	130	125	110	95	75	60	-5	-5	-5	-5	-5	0
Hydro One (A3/A/A high)	135	129	112	95	70	60	-5	-5	-5	-5	-5	0
Schedule 1 Bank ABS (A)	200	193	174	155	135	120	0	0	0	0	0	0

From:	John Kim
To:	Ronald Kwan
Subject:	FW: Liquidity Note
Date:	Monday, April 23, 2018 1:21:30 PM
Attachments:	OPG Funding and Liquidity update April 2018-v09_Markup.docx

Hi Ron,

Pls. see attached. I asked clarifying questions on the FHT part. I might be missing something but 51% of $1.2 billion isn't what is in the bullet.

Thanks,

John

From: John Kim
Sent: Monday, April 23, 2018 11:41 AM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Esther Jeon <Esther.Jeon@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Liquidity Note

Thanks….any issue with the attached?

From: Bruno Amara
Sent: Monday, April 23, 2018 11:25 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Esther Jeon <Esther.Jeon@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Liquidity Note

Hi John

Esther has drafted the attached OPG liquidity note. SIFB and Capital markets have provided their input.

Bruno

Bruno Amara
Sr. Manager, Financial and Regulatory Analysis
Electricity Finance Branch
Corporate and Electricity Finance Division
Ontario Financing Authority

Tel: 416-325-1489

Email: bruno.amara@ofina.on.ca

OPG Funding and Liquidity Status Update
OEFC Board Meeting – April 27, 2018

Purpose

The purpose of this report is to outline the status of OPG's funding and liquidity position on an on-going basis, as directed at the December 2004 OEFC Board meeting.

Current Status

- As of February 2018, according to OPG's business plan, OPG projected a $273 million in cash at the end of 2018.
    - As of December 31, 2017, OPG had a cash position of $234 million. In 2018, OPG expects to make dividend payments of over $475 million to the Shareholder with respect to the sale of OPG's head office and their Lakeview site.
    - In March 2018, OPG paid $283M in net proceeds from the head office properties sale to the Province as prescribed in regulation under the *Trillium Trust Act, 2014.*
    - OPG had a $186 million cash position at the end of 2016.
- In June 2016, OEFC entered into a credit facility agreement with OPG for the latter to borrow up to $700 million for the purpose of financing general corporate purposes effective January 1, 2017 to the end of 2017, including for the Darlington refurbishment project. The Minister's directive from June 2016 allowed OEFC to extend the term of the credit facility to the end of 2018, and increase the amount of the credit facility based on the total financing amount identified in OPG's 2016-2018 Business Plan, following concurrence by the Minister of Energy. OPG obtained concurrence for its Business Plan in November 2016
    - OPG has also received concurrence from the Ministry of Energy for its 2017-2019 Business Plan. The Business Plan projects a borrowing need of $1,750 million in 2017 ($1,500 million in 2016-18 Business Plan) and $650 million total in 2018 ($850 million in 2016-18 Business Plan) from the credit facility. This change, in aggregate, is close to the approved amounts of the Minister's directive between 2017 and 2018, and the shift in the timing of about $200 million from 2018 to 2017 is consistent with the Directive on the total financing amount. In the 20187-202119 Business Plan, OPG is expected to spentd $1,249152 million in 2017 and projects to spend $1,231113 million in 2018 on the Darlington Refurbishment project.
    - In September 2017, amendments to the credit facility were finalized to increase the facility to $2.35 billion and extend the expiry date to December 31, 2018.

Formatted: Font: Bold

Formatted

Commented [JK1]: Would it be OK to use the latest BP?

- In 2017, OPG borrowed a total of $800 million under the credit facility. During the first quarter of 2018, they borrowed an additional $600 million. The term of all of the borrowings is 30 years.

- OPG filed its regulated rate application in May 2016 for rates starting as at January 1, 2017 and covering a period of 5 years from 2017 to 2021. The Ontario Energy Board (OEB) issued their decision in December 2017, and their decision determined that new prices would be applied with an effective date of June 1, 2017.

    - OPG recognized the impact of the OEB's decision in the fourth quarter of 2017, which resulted in a net revenue increase of approximately $480 million related to the June 1, 2017 to December 31, 2017 period.

    - In January 2018, OPG submitted a draft payment amounts order to the OEB that implemented the decision's findings into the final proposed regulated prices. The OEB is expected to issue the final payment amounts order in the first half of 2018, at which time OPG will begin to collect revenues based on new regulated prices. The OEB's approval of the final payment amounts order is not expected to have a material impact on the amount of net revenue recorded in the fourth quarter of 2017.

    - In January 2018, OPG has filed a Notice of Motion to review and vary the OEB's decision of rates being effective June 1, 2017 instead of the requested date of January 1, 2017 and an oral hearing to present their arguments occurred on April 2017. This case is still currently being reviewed by the OEB.

    - An amended OEB decision with respect to the Motion to Review could affect OPG's longer term liquidity outlook and net income related to the January 1, 2017 to May 31, 2017 period.

- OPG has been appointed the Financial Services Manager under the Ontario Fair Hydro Plan Act, 2017 (the Act) and, in December 2017, established the Fair Hydro Trust (the Trust) as the financing entity for the Act:

    - As reported in OPG's Q4 2017 Financial Statement, in December 2017 the Trust purchased its first tranche of financing receivable assets from the Independent Electricity System Operator in the amount of approximately $1.2 billion. In February 2018, the Trust issued $500 million of senior notes payable maturing in 2033.

    - On March 22, 2018, OPG purchased the second tranche of financing receivable assets from the IESO in the amount of approximately $460 million.

    - On April 19, 2018, the Trust issued $400 million of senior notes payable maturing in 2038.

- On April 20, 2018, OPG purchased the third tranche of financing receivable assets from the Independent Electricity System Operator in the amount of approximately $149 million.

- **OPG Current Financial Outlook, based upon financing updates up to December 31, 2017:** (Note – numbers are subject to rounding)

Calendar Years,($ millions)	**2017 Actual**	**Q1-Q4 2018 Forecast**	**2018 Forecast**
Opening Cash	**186**	**48**	**234**
Cash from Operations	944	524	1,468
Approved Capital Expenditures	(1,853)	(213)	(2,066)
PS Term Deposit Maturity	70	(70)	-
Pre-tax Proceeds – Sale of Head Office	484	(484)	-
Pre-tax Proceeds – Sale of Lakeview Site	-	267	267
Acquisition of Fair Hydro Trust financing receivables	(1,179)	(1,147)	(2,326)
Maturing Debt	(1,103)	705	(398)
New Debt to OEFC and Additional Corporate Debt*	1,301	(110)	1,191
Issuance of Fair Hydro Trust long-term debt	601	583	1,184
Issuance of Class A Shares**	519	503	1,022
Commercial Paper	260	(60)	200
Distributions to Non-Controlling Interest	(15)	(7)	(22)
Capital Contribution from Non-Controlling Interest	19	(19)	-
Dividends (Net Proceeds of Distribution to Trillium Trust***)	-	(482)	(482)
Net Cash flow	**48**	**(9)**	**39**
Ending Cash	**234**	**39**	**273**

* Financing from OEFC for general corporate purposes including Darlington Refurbishment project. The current credit facility allows up to $2.35 billion to the end of 2018 consistent with 2016-2018 OPG Business Plan. As of December 31, 2017 debt to OEFC totaled to $800M and in Oct 2017 OPG issued $500M of senior notes payable under a Medium Term Note Program for general corporate purposes.

** In December 2017, OPG issued non-voting Class A shares to the Province for its equity injection in the company, generating proceeds of $519M. These proceeds were used by OPG to purchase the Fair Hydro Trust's subordinated debt in the amount of 44%of the total funding requirement for the Trust's acquisition of Investment Interest from the IESO in December 2017.

*** The Trillium Trust regulation for the head office properties was filed in March 2018, with OPG paying the net proceeds of approximately $283M shortly after as a dividend to the Province.

Note that the Trillium Trust regulation timing for the Lakeview site is likely to be in 2018. Analysis and verification of records in support of prescribed costs under the *Trillium Trust Act, 2014* needs to be undertaken.

Background

The following table provides the details of deferrals of debt and interest payments, refinancing, and new loans commencing from December of 2004.

Timing	Action	Details
July 2016 Board meeting	Received Minister's Directive on June 17, 2016, for general corporate purposes including Darlington Refurbishment project up to $700 million. Directive provides approval for subsequent loans not totalling more than $2.3 billion but is subject to concurrence by Shareholder with OPG's business plan, and to not exceed $3 billion in total.	Under credit facility, loans shall have a term not exceeding thirty years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread based on a survey of market rates. Interest rate and term of each loan shall be determined by OEFC. Loan agreement signed on June 17, 2016. An amendment was signed on September 6, 2017 to increase the amount of the credit facility to $1.5 billion in 2017 and $850 million in 2018.
December 2014 Board meeting	Subject to receiving Minister's Directive for general corporate purposes including Darlington Refurbishment project up to $800 million.	Under the credit facility, up to 50% of advances may have a term up to 30 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Received Minister's directive on December 18, 2014. Loan agreement was signed on December 22, 2014.
December 2013 Board meeting	Received Minister's Directive for general corporate purposes including Darlington Refurbishment project up to $500 million.	Under the credit facility, up to 50% of advances may have a term up to 30 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on December 20, 2013.
April 2012 Board meeting	Received Minister's Directive for refinancing of maturing debt up to $400 million.	Under the credit facility, advances up to $200 million may have a term up to 30 years. The remaining $200 million may have a term up to 10 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on April 26, 2012.
April 2011 Board meeting	Received Minister's Directive for refinancing of maturing debt up to $375 million.	Under the credit facility, each advance will have a term up to 30 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on March 7, 2011.
September 2010 Board meeting	Received Minister's Directive for $700 million loan to OPG for the Lower Mattagami project.	Under the credit facility each advance will have a term up to 10 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on March 7, 2011.

Timing	Action	Details
September 2009 Board meeting	Subject to receiving Minister's directives, approved the refinancing of maturing debt up to $970 million and an increase in the Niagara Tunnel loan to $1.6 billion.	The refinancing debt facility will have a term of one year; each advance will have a term up to 10 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Received Minister's directive on January 20, 2010 for refinancing up to $970 million of maturing debt. Loan agreement signed March 8, 2010. Received Minister's directive on April 22, 2010 for increase in the Niagara Tunnel loan to $1.6 billion and extension of the expiry date to December 2014. Amendment signed July 21, 2010.
June 2007 Board meeting	Pursuant to a Minister's directive dated June 11, 2007, approved a loan for up to $950 million for refinancing debt issued to OEFC and a loan for up to $500 million for general corporate requirements.	Structured to provide advances in tranches. The ability to draw on the refinancing facility to expire on Dec 31, 2009, and the general corporate requirements facility expired on March 31, 2008 (OPG has fully drawn on this facility). Each advance shall have a term up to 10 years. The interest rate is based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement for the general corporate requirements signed on June 14, 2007. Loan agreement for the refinancing maturing debt signed on July 6, 2007.
April 2006 Board meeting	Subject to receiving a Minister's directive, approved a loan for up to $400 million for the Portlands project and a loan for up to $50 for the Lac Seul project.	Structured to provide advances in tranches over a 3 year period. Each advance shall have a term as may be determined by the Chief Executive Officer of OEFC or his/her designate. Interest based on Government of Canada benchmark bond yield plus a spread determined by OEFC. Minister's Directives dated October 25, 2006. Loan agreements for the Portlands and Lac Seul projects signed on December 6, 2006.
September 2005 Board meeting	Pursuant to the Minister's Directive dated August 18, 2005, approved loan for up to $1 billion for the Niagara Tunnel project.	Structured to provide advances in tranches over a 5 year period commencing in 2005. Terms of each advance not to exceed 10 years. Interest based on Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement signed on September 21, 2005.

Timing	Action	Details
September 2005 Board meeting (cont'd)	Subject to receiving a Minister's Directive, approved a loan for up to $95 million for the Thunder Bay conversion.	Structured to provide advances in tranches over a 2 year period commencing late 2005 or early 2006. Terms of each advance not to exceed 10 years. Interest based on Government of Canada benchmark bond yield plus a spread determined by OEFC. Minister's Directive dated September 26, 2005. Loan agreement signed on November 14, 2005. In June 2006 the Government revoked its Directive to OPG on the Thunder Bay conversion project. OEFC and OPG terminated the loan agreement on September 29, 2006.
June 2005 Board meeting	OEFC Board was advised that OPG had approached OFA/OEFC to get funding indications for Niagara Tunnel Project. While the government had provided overall support for the Niagara Tunnel Project, OEFC Board advised that staff would be coming back to the board to request a loan once a directive had been obtained	
March 2005 Board meeting	Pursuant to a Minister's Directive, $600 million in loans was approved to address OPG operating cash flow funding requirements from April 1, 2005 to March 31, 2006	Structured to provide for drawdowns in 1 or more tranches at market rates for terms ranging from 3 to 7 years. Rates determined by OEFC. In May 2005, OPG borrowed $400 million, for a 7 year term at 5.715% (spread of 1.75% over the respective Canada bond)
	Loan approval for $98 million to OPG for a 5 year term commencing September 22, 2005	Loan to offset interest payments on loans due that day and to be extended at market rates determined by OEFC. Subsequently, OPG declined this loan due to higher than expected revenues.
December 2004 Board meeting	Extend $250 million March 22, 2005 debt maturity for another 5 years	Original average 5.62% borrowing cost maintained for extended loan
	Extend $250 million September 22, 2005 debt maturity for another 5 years	Original average 5.62% borrowing cost maintained for extended loan
	Loan $95 million to OPG for a 5 year term commencing Mar. 22, 2005	Loan to offset interest payments on loans due that day and 5.62% rate used for new loan

OPG Debt Maturity Schedule (at April 23, 2018, 2017):

Maturity Date	Coupon Rate (%)	Amount ($ m)
Jul 22, 2018	5.497	50
Oct 22, 2018	6.325	20
Jan 22, 2019	6.178	40
Mar 22, 2019	5.651	100
Apr 22, 2019	5.635	75
Jul 22, 2019	5.184	65
Oct 22, 2019	4.857	85
Jan 22, 2020	4.618	50
Mar 22, 2020	4.679	230
Apr 22, 2020	4.954	65
Jul 22, 2020	4.658	35
Sep 22, 2020	4.391	230
Oct 22, 2020	4.094	50
Jan 22, 2021	4.573	40
Apr 22, 2021	4.633	35
Jul 22, 2021	4.152	50
Oct 22, 2021	3.985	60
Jan 22, 2022	3.583	40
Apr 22, 2022	3.521	35
Jul 22, 2022	2.981	45
Oct 22, 2022	3.163	30
Jan 22, 2023	3.27	20
Apr 22, 2023	2.961	20
Nov 22, 2026	3.037	50
Mar 22, 2041	5.397	150
Sep 22, 2041	4.74	150
Apr 22, 2042	4.356	200
Nov 22, 2046	4.028	50
Feb 22, 2047	4.122	200
Jun 22, 2047	3.648	100
Aug 22, 2047	3.858	100
Sep 22, 2047	4.066	400
Jan 22, 2048	3.874	200
Mar 22, 2048	3.997	400
Total Outstanding		**3,470.0**

Status of Project Financing (at April 23, 2018):

Project	Amount Authorized under Loan Agreement	Total Borrowing to Date	Expiry Date of Loan Agreement	Status of Project
Corporate Credit Facility	$2.35 billion	$1,400 million	Dec 31, 2018	-
Niagara Tunnel	$1.6 billion	$1,065 million	Dec 30, 2014	Completed
Portlands	$400 million	$390 million	Dec 29, 2009	Completed
Lac Seul	$50 million	$50 million	Dec 29, 2009	Completed
Lower Mattagami	$700 million	-	June 30, 2016	Completed

Prepared by:
Electricity Finance Branch and Capital Market Division
April 23, 2018

From: John Kim
To: Ronald Kwan
Cc: Usman Zahid
Subject: FW: Liquidity Note
Date: Monday, April 23, 2018 2:46:14 PM
Attachments: OPG Funding and Liquidity update April 2018-v12_clean.docx

---

Hi Ron,

Pls. use this version.

Thanks,

John

From: Bruno Amara
Sent: Monday, April 23, 2018 2:43 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Esther Jeon <Esther.Jeon@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: Liquidity Note

Hi John

Revised note attached.

Bruno

From: Shajee Kathirgamanathan
Sent: Monday, April 23, 2018 2:09 PM
To: Esther Jeon <Esther.Jeon@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Liquidity Note

Hi Esther,

Gavin and I added a bit more on the FHT part.

Please see attached.

File found here:
S:\Users\CEF\Hydro 2018\OPG\Funding and Liquidity\April 2018 - OEFC Board meeting

Thanks,
Shajee

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Esther Jeon
Sent: Monday, April 23, 2018 12:34 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Liquidity Note

Hi all,

I edited the most recent version sent by Gavin and updated the business plan section.
Please take a look, thank you!

-Esther

From: Gavin He
Sent: Monday, April 23, 2018 12:12 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>; Esther Jeon <Esther.Jeon@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Liquidity Note

Hi All,

I made some further updates to the note, see attached.

Shajee – for the notes offering last Wednesday, do we know how much was issued by subordinate debt and junior subordinate debt?

Regards,
Gavin He

From: John Kim
Sent: Monday, April 23, 2018 11:56 AM
To: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Esther Jeon <Esther.Jeon@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Liquidity Note

Could we update for that pls?

From: Gavin He
Sent: Monday, April 23, 2018 11:56 AM

To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Esther Jeon <Esther.Jeon@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Liquidity Note

Hi John,

Shajee and I were talking about this had the same question too. It doesn't look like the notes OPG issued are matching the assets purchased.

Regards,
Gavin He

From: John Kim
Sent: Monday, April 23, 2018 11:50 AM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Esther Jeon <Esther.Jeon@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Liquidity Note

Also, on the FHT section, if $1.2 bn is the assets purchased, why is the senior note on $500mn? Wouldn't it be 51%?

From: John Kim
Sent: Monday, April 23, 2018 11:41 AM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Esther Jeon <Esther.Jeon@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Liquidity Note

Thanks….any issue with the attached?

From: Bruno Amara
Sent: Monday, April 23, 2018 11:25 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Esther Jeon <Esther.Jeon@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Liquidity Note

Hi John

Esther has drafted the attached OPG liquidity note. SIFB and Capital markets have provided their input.

Bruno

Bruno Amara
Sr. Manager, Financial and Regulatory Analysis
Electricity Finance Branch
Corporate and Electricity Finance Division
Ontario Financing Authority

Tel: 416-325-1489
Email: bruno.amara@ofina.on.ca

OPG Funding and Liquidity Status Update
OEFC Board Meeting – April 27, 2018

Purpose

The purpose of this report is to outline the status of OPG's funding and liquidity position on an on-going basis, as directed at the December 2004 OEFC Board meeting.

Current Status

- As of February 2018, according to OPG's business plan, OPG projected a $273 million in cash at the end of 2018.
    - As of December 31, 2017, OPG had a cash position of $234 million. In 2018, OPG expects to make dividend payments of over $475 million to the Shareholder with respect to the sale of OPG's head office and their Lakeview site.
    - In March 2018, OPG paid $283M in net proceeds from the head office properties sale to the Province as prescribed in regulation under the *Trillium Trust Act, 2014.*
    - OPG had a $186 million cash position at the end of 2016.
- In June 2016, OEFC entered into a credit facility agreement with OPG for the latter to borrow up to $700 million for the purpose of financing general corporate purposes effective January 1, 2017 to the end of 2017, including for the Darlington refurbishment project. The Minister's directive from June 2016 allowed OEFC to extend the term of the credit facility to the end of 2018, and increase the amount of the credit facility based on the total financing amount identified in OPG's 2016-2018 Business Plan, following concurrence by the Minister of Energy. OPG obtained concurrence for its Business Plan in November 2016
    - OPG has also received concurrence from the Ministry of Energy for its 2018-2021 Business Plan. The Business Plan stated that as of December 31, 2017 they borrowed $1,301 million of general corporate debt, of which $800 million was from the credit facility. The 2018-2021 Business Plan also stated that, OPG spent $1,249 million in 2017 and projects to spend $1,231 million in 2018 on the Darlington Refurbishment project.
    - In September 2017, amendments to the credit facility were finalized to increase the facility to $2.35 billion and extend the expiry date to December 31, 2018.
- In 2017, OPG borrowed a total of $800 million under the credit facility. During the first quarter of 2018, they borrowed an additional $600 million. The term of all of the borrowings is 30 years.

- OPG filed its regulated rate application in May 2016 for rates starting as at January 1, 2017 and covering a period of 5 years from 2017 to 2021. The Ontario Energy Board (OEB) issued their decision in December 2017, and their decision determined that new prices would be applied with an effective date of June 1, 2017.

    - OPG recognized the impact of the OEB's decision in the fourth quarter of 2017, which resulted in a net revenue increase of approximately $480 million related to the June 1, 2017 to December 31, 2017 period.

    - In January 2018, OPG submitted a draft payment amounts order to the OEB that implemented the decision's findings into the final proposed regulated prices. The OEB is expected to issue the final payment amounts order in the first half of 2018, at which time OPG will begin to collect revenues based on new regulated prices. The OEB's approval of the final payment amounts order is not expected to have a material impact on the amount of net revenue recorded in the fourth quarter of 2017.

    - In January 2018, OPG has filed a Notice of Motion to review and vary the OEB's decision of rates being effective June 1, 2017 instead of the requested date of January 1, 2017 and an oral hearing to present their arguments occurred on April 2017. This case is still currently being reviewed by the OEB.

    - An amended OEB decision with respect to the Motion to Review could affect OPG's longer term liquidity outlook and net income related to the January 1, 2017 to May 31, 2017 period.

- OPG has been appointed the Financial Services Manager under the Ontario Fair Hydro Plan Act, 2017 (the Act) and, in December 2017, established the Fair Hydro Trust (the Trust) as the financing entity for the Act:

    - As reported in OPG's Q4 2017 Financial Statement, in December 2017 the Trust purchased its first tranche of financing receivable assets from the Independent Electricity System Operator in the amount of approximately $1.18 billion. In February 2018, the Trust issued a total of $980 million in term debt funding with $500 million of senior notes payable, $382 million of subordinated debt and $98 million of junior subordinated debt. This left $199 million in OPG's warehouse funding facility.

    - On March 22, 2018, OPG purchased the second tranche of financing receivable assets from the IESO in the amount of approximately $460 million. On April 19, 2018, the Trust issued $400 million of senior notes payable. The amounts of subordinated and junior subordinated debts along with the amounts left in the warehouse funding facility are still to be determined.

    - On April 20, 2018, OPG purchased the third tranche of financing receivable assets from the Independent Electricity System Operator in the amount of approximately $149 million. Additional note offerings are anticipated.

- **OPG Current Financial Outlook, based upon financing updates up to December 31, 2017:** (Note – numbers are subject to rounding)

Calendar Years,($ millions)	2017 Actual	Q1-Q4 2018 Forecast	2018 Forecast
Opening Cash	**186**	**48**	**234**
Cash from Operations	944	524	1,468
Approved Capital Expenditures	(1,853)	(213)	(2,066)
PS Term Deposit Maturity	70	(70)	-
Pre-tax Proceeds – Sale of Head Office	484	(484)	-
Pre-tax Proceeds – Sale of Lakeview Site	-	267	267
Acquisition of Fair Hydro Trust financing receivables	(1,179)	(1,147)	(2,326)
Maturing Debt	(1,103)	705	(398)
New Debt to OEFC and Additional Corporate Debt*	1,301	(110)	1,191
Issuance of Fair Hydro Trust long-term debt	601	583	1,184
Issuance of Class A Shares**	519	503	1,022
Commercial Paper	260	(60)	200
Distributions to Non-Controlling Interest	(15)	(7)	(22)
Capital Contribution from Non-Controlling Interest	19	(19)	-
Dividends (Net Proceeds of Distribution to Trillium Trust***)	-	(482)	(482)
Net Cash flow	**48**	**(9)**	**39**
Ending Cash	**234**	**39**	**273**

* Financing from OEFC for general corporate purposes including Darlington Refurbishment project. The current credit facility allows up to $2.35 billion to the end of 2018 consistent with 2016-2018 OPG Business Plan. As of December 31, 2017 debt to OEFC totaled to $800M and in Oct 2017 OPG issued $500M of senior notes payable under a Medium Term Note Program for general corporate purposes.

** In December 2017, OPG issued non-voting Class A shares to the Province for its equity injection in the company, generating proceeds of $519M. These proceeds were used by OPG to purchase the Fair Hydro Trust's subordinated debt in the amount of 44%of the total funding requirement for the Trust's acquisition of Investment Interest from the IESO in December 2017.

*** The Trillium Trust regulation for the head office properties was filed in March 2018, with OPG paying the net proceeds of approximately $283M shortly after as a dividend to the Province. Note that the Trillium Trust regulation timing for the Lakeview site is likely to be in 2018. Analysis and verification of records in support of prescribed costs under the *Trillium Trust Act, 2014* needs to be undertaken.

Background

The following table provides the details of deferrals of debt and interest payments, refinancing, and new loans commencing from December of 2004.

Timing	Action	Details
July 2016 Board meeting	Received Minister's Directive on June 17, 2016, for general corporate purposes including Darlington Refurbishment project up to $700 million. Directive provides approval for subsequent loans not totalling more than $2.3 billion but is subject to concurrence by Shareholder with OPG's business plan, and to not exceed $3 billion in total.	Under credit facility, loans shall have a term not exceeding thirty years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread based on a survey of market rates. Interest rate and term of each loan shall be determined by OEFC. Loan agreement signed on June 17, 2016. An amendment was signed on September 6, 2017 to increase the amount of the credit facility to $1.5 billion in 2017 and $850 million in 2018.
December 2014 Board meeting	Subject to receiving Minister's Directive for general corporate purposes including Darlington Refurbishment project up to $800 million.	Under the credit facility, up to 50% of advances may have a term up to 30 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Received Minister's directive on December 18, 2014. Loan agreement was signed on December 22, 2014.
December 2013 Board meeting	Received Minister's Directive for general corporate purposes including Darlington Refurbishment project up to $500 million.	Under the credit facility, up to 50% of advances may have a term up to 30 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on December 20, 2013.
April 2012 Board meeting	Received Minister's Directive for refinancing of maturing debt up to $400 million.	Under the credit facility, advances up to $200 million may have a term up to 30 years. The remaining $200 million may have a term up to 10 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on April 26, 2012.
April 2011 Board meeting	Received Minister's Directive for refinancing of maturing debt up to $375 million.	Under the credit facility, each advance will have a term up to 30 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on March 7, 2011.
September 2010 Board meeting	Received Minister's Directive for $700 million loan to OPG for the Lower Mattagami project.	Under the credit facility each advance will have a term up to 10 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on March 7, 2011.

Timing	Action	Details
September 2009 Board meeting	Subject to receiving Minister's directives, approved the refinancing of maturing debt up to $970 million and an increase in the Niagara Tunnel loan to $1.6 billion.	The refinancing debt facility will have a term of one year; each advance will have a term up to 10 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Received Minister's directive on January 20, 2010 for refinancing up to $970 million of maturing debt. Loan agreement signed March 8, 2010. Received Minister's directive on April 22, 2010 for increase in the Niagara Tunnel loan to $1.6 billion and extension of the expiry date to December 2014. Amendment signed July 21, 2010.
June 2007 Board meeting	Pursuant to a Minister's directive dated June 11, 2007, approved a loan for up to $950 million for refinancing debt issued to OEFC and a loan for up to $500 million for general corporate requirements.	Structured to provide advances in tranches. The ability to draw on the refinancing facility to expire on Dec 31, 2009, and the general corporate requirements facility expired on March 31, 2008 (OPG has fully drawn on this facility). Each advance shall have a term up to 10 years. The interest rate is based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement for the general corporate requirements signed on June 14, 2007. Loan agreement for the refinancing maturing debt signed on July 6, 2007.
April 2006 Board meeting	Subject to receiving a Minister's directive, approved a loan for up to $400 million for the Portlands project and a loan for up to $50 for the Lac Seul project.	Structured to provide advances in tranches over a 3 year period. Each advance shall have a term as may be determined by the Chief Executive Officer of OEFC or his/her designate. Interest based on Government of Canada benchmark bond yield plus a spread determined by OEFC. Minister's Directives dated October 25, 2006. Loan agreements for the Portlands and Lac Seul projects signed on December 6, 2006.
September 2005 Board meeting	Pursuant to the Minister's Directive dated August 18, 2005, approved loan for up to $1 billion for the Niagara Tunnel project.	Structured to provide advances in tranches over a 5 year period commencing in 2005. Terms of each advance not to exceed 10 years. Interest based on Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement signed on September 21, 2005.

Timing	Action	Details
September 2005 Board meeting (cont'd)	Subject to receiving a Minister's Directive, approved a loan for up to $95 million for the Thunder Bay conversion.	Structured to provide advances in tranches over a 2 year period commencing late 2005 or early 2006. Terms of each advance not to exceed 10 years. Interest based on Government of Canada benchmark bond yield plus a spread determined by OEFC. Minister's Directive dated September 26, 2005. Loan agreement signed on November 14, 2005. In June 2006 the Government revoked its Directive to OPG on the Thunder Bay conversion project. OEFC and OPG terminated the loan agreement on September 29, 2006.
June 2005 Board meeting	OEFC Board was advised that OPG had approached OFA/OEFC to get funding indications for Niagara Tunnel Project. While the government had provided overall support for the Niagara Tunnel Project, OEFC Board advised that staff would be coming back to the board to request a loan once a directive had been obtained	
March 2005 Board meeting	Pursuant to a Minister's Directive, $600 million in loans was approved to address OPG operating cash flow funding requirements from April 1, 2005 to March 31, 2006	Structured to provide for drawdowns in 1 or more tranches at market rates for terms ranging from 3 to 7 years. Rates determined by OEFC. In May 2005, OPG borrowed $400 million, for a 7 year term at 5.715% (spread of 1.75% over the respective Canada bond)
	Loan approval for $98 million to OPG for a 5 year term commencing September 22, 2005	Loan to offset interest payments on loans due that day and to be extended at market rates determined by OEFC. Subsequently, OPG declined this loan due to higher than expected revenues.
December 2004 Board meeting	Extend $250 million March 22, 2005 debt maturity for another 5 years	Original average 5.62% borrowing cost maintained for extended loan
	Extend $250 million September 22, 2005 debt maturity for another 5 years	Original average 5.62% borrowing cost maintained for extended loan
	Loan $95 million to OPG for a 5 year term commencing Mar. 22, 2005	Loan to offset interest payments on loans due that day and 5.62% rate used for new loan

OPG Debt Maturity Schedule (at April 23, 2018, 2017):

Maturity Date	Coupon Rate (%)	Amount ($ m)
Jul 22, 2018	5.497	50
Oct 22, 2018	6.325	20
Jan 22, 2019	6.178	40
Mar 22, 2019	5.651	100
Apr 22, 2019	5.635	75
Jul 22, 2019	5.184	65
Oct 22, 2019	4.857	85
Jan 22, 2020	4.618	50
Mar 22, 2020	4.679	230
Apr 22, 2020	4.954	65
Jul 22, 2020	4.658	35
Sep 22, 2020	4.391	230
Oct 22, 2020	4.094	50
Jan 22, 2021	4.573	40
Apr 22, 2021	4.633	35
Jul 22, 2021	4.152	50
Oct 22, 2021	3.985	60
Jan 22, 2022	3.583	40
Apr 22, 2022	3.521	35
Jul 22, 2022	2.981	45
Oct 22, 2022	3.163	30
Jan 22, 2023	3.27	20
Apr 22, 2023	2.961	20
Nov 22, 2026	3.037	50
Mar 22, 2041	5.397	150
Sep 22, 2041	4.74	150
Apr 22, 2042	4.356	200
Nov 22, 2046	4.028	50
Feb 22, 2047	4.122	200
Jun 22, 2047	3.648	100
Aug 22, 2047	3.858	100
Sep 22, 2047	4.066	400
Jan 22, 2048	3.874	200
Mar 22, 2048	3.997	400
Total Outstanding		**3,470.0**

Status of Project Financing (at April 23, 2018):

Project	Amount Authorized under Loan Agreement	Total Borrowing to Date	Expiry Date of Loan Agreement	Status of Project
Corporate Credit Facility	$2.35 billion	$1,400 million	Dec 31, 2018	-
Niagara Tunnel	$1.6 billion	$1,065 million	Dec 30, 2014	Completed
Portlands	$400 million	$390 million	Dec 29, 2009	Completed
Lac Seul	$50 million	$50 million	Dec 29, 2009	Completed
Lower Mattagami	$700 million	-	June 30, 2016	Completed

Prepared by:
Electricity Finance Branch and Capital Market Division
April 23, 2018

From: John Kim
To: Esther Jeon
Cc: Bruno Amara
Subject: FW: Liquidity note
Date: Wednesday, April 25, 2018 11:40:01 AM
Attachments: OPG Funding and Liquidity update April 2018-v10 Final.docx

---

Hi Esther,

Hi Esther,

Some questions…on p.2, I think the middle column is Q1, 2018. Is that right? It's not a big deal but just wondering what the source of the information was. I was wondering about the signs of the pre-tax proceeds. (484) for HO and 267 for Lakeview.

John

From: John Kim
Sent: Monday, April 23, 2018 3:57 PM
To: Joan Dougherty <Joan.Dougherty@ofina.on.ca>
Cc: Linda Smith <Linda.Smith@ofina.on.ca>; Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: Liquidity note

Hi Joan,

Here's the note.

John

Y. John Kim
Director, Electricity Finance Branch
Ontario Financing Authority
e-mail: john.kim@ofina.on.ca
Ph: 416-212-6996

OPG Funding and Liquidity Status Update
OEFC Board Meeting – April 27, 2018

Purpose

The purpose of this report is to outline the status of OPG's funding and liquidity position on an on-going basis, as directed at the December 2004 OEFC Board meeting.

Current Status

- As of February 2018, according to OPG's business plan, OPG projected $273 million in cash at the end of 2018.
    - As of December 31, 2017, OPG had a cash position of $234 million.
    - In 2018, OPG expects to make dividend payments of over $475 million to the Shareholder with respect to the sale of OPG's head office and their Lakeview site.
        - In March 2018, OPG paid $283M in net proceeds from the head office properties sale to the Province as prescribed in regulation under the *Trillium Trust Act, 2014.*
    - OPG had a $186 million cash position at the end of 2016.
- In June 2016, OEFC entered into a credit facility agreement with OPG for the latter to borrow up to $700 million for the purpose of financing general corporate purposes effective January 1, 2017 to the end of 2017, including for the Darlington refurbishment project. The Minister's directive from June 2016 allowed OEFC to extend the term of the credit facility to the end of 2018, and increase the amount of the credit facility based on the total financing amount identified in OPG's 2016-2018 Business Plan, following concurrence by the Minister of Energy. OPG obtained concurrence for its Business Plan in November 2016
    - OPG has also received concurrence from the Ministry of Energy for its 2017-2019 Business Plan. That Business Plan projected a borrowing need of $1,750 million in 2017 ($1,500 million in 2016-18 Business Plan) and $650 million total in 2018 ($850 million in 2016-18 Business Plan) from the credit facility. This revised amount, in aggregate, is close to the approved amounts of the Minister's directive between 2017 and 2018, and the shift in the timing of about $200 million from 2018 to 2017 is consistent with the Directive on the total financing amount.
    - In September 2017, amendments to the credit facility were finalized to increase the facility to $2.35 billion and extend the expiry date to December 31, 2018.

- In the 2018-2021 Business Plan, OPG spent $1,249 million in 2017 and projects to spend $1,231 million in 2018 on the Darlington Refurbishment project.

- In 2017, OPG borrowed a total of $800 million under the credit facility. During the first quarter of 2018, it borrowed an additional $600 million. The term of all of the borrowings is 30 years.

- OPG filed its regulated rate application in May 2016 for rates starting as at January 1, 2017 and covering a period of 5 years from 2017 to 2021. The Ontario Energy Board (OEB) issued its decision in December 2017, and its decision determined that new prices would be applied with an effective date of June 1, 2017.

    - OPG recognized the impact of the OEB's decision in the fourth quarter of 2017, which resulted in a net revenue increase of approximately $480 million related to the June 1, 2017 to December 31, 2017 period, compared to the prior rates.

    - In January 2018, OPG submitted a draft payment amounts order to the OEB that implemented the decision's findings into the final proposed regulated prices. The OEB is expected to issue the final payment amounts order in the first half of 2018, at which time OPG will begin to collect revenues based on new regulated prices. The OEB's approval of the final payment amounts order is not expected to have a material impact on the amount of net revenue recorded in the fourth quarter of 2017.

    - In January 2018, OPG filed a Notice of Motion to review and vary the OEB's decision of rates being effective June 1, 2017 instead of the requested date of January 1, 2017 and an oral hearing to present their arguments occurred on April 2017. This case is currently being reviewed by the OEB.

    - An amended OEB decision with respect to the Motion to Review could affect OPG's longer term liquidity outlook and net income.

- OPG was appointed the Financial Services Manager under the Ontario Fair Hydro Plan Act, 2017 (the Act) and, in December 2017, established the Fair Hydro Trust (the Trust) as the financing entity for the Act:

    - As reported in OPG's Q4 2017 Financial Statement, in December 2017 the Trust purchased its first tranche of financing receivable assets from the Independent Electricity System Operator in the amount of approximately $1.18 billion. In February 2018, the Trust issued a total of $980 million in term debt funding consisting of $500 million in senior notes payable, $382 million in subordinated debt and $98 million in junior subordinated debt maturing in 2033. This left $199 million in OPG's warehouse funding facility.

    - On March 22, 2018, OPG purchased the second tranche of financing receivable assets from the IESO in the amount of approximately $460 million.

- On April 19, 2018, the Trust issued $400 million of senior notes payable maturing in 2038. The amounts of subordinated and junior subordinated debts along with the amounts left in the warehouse funding facility are still to be determined.

- On April 20, 2018, OPG purchased the third tranche of financing receivable assets from the Independent Electricity System Operator in the amount of approximately $149 million. Additional note offerings are anticipated.

- **OPG Current Financial Outlook, based upon financing updates up to December 31, 2017:** (Note – numbers are subject to rounding)

Calendar Years,($ millions)	**2017 Actual**	**Q1-Q4 2018 Forecast**	**2018 Forecast**
Opening Cash	**186**	**48**	**234**
Cash from Operations	944	524	1,468
Approved Capital Expenditures	(1,853)	(213)	(2,066)
PS Term Deposit Maturity	70	(70)	-
Pre-tax Proceeds – Sale of Head Office	484	(484)	-
Pre-tax Proceeds – Sale of Lakeview Site	-	267	267
Acquisition of Fair Hydro Trust financing receivables	(1,179)	(1,147)	(2,326)
Maturing Debt	(1,103)	705	(398)
New Debt to OEFC and Additional Corporate Debt*	1,301	(110)	1,191
Issuance of Fair Hydro Trust long-term debt	601	583	1,184
Issuance of Class A Shares**	519	503	1,022
Commercial Paper	260	(60)	200
Distributions to Non-Controlling Interest	(15)	(7)	(22)
Capital Contribution from Non-Controlling Interest	19	(19)	-
Dividends (Net Proceeds of Distribution to Trillium Trust***)	-	(482)	(482)
Net Cash flow	**48**	**(9)**	**39**
Ending Cash	**234**	**39**	**273**

* Financing from OEFC for general corporate purposes including Darlington Refurbishment project. The current credit facility allows up to $2.35 billion to the end of 2018 consistent with 2016-2018 OPG Business Plan. As of December 31, 2017 debt to OEFC totaled to $800M and in Oct 2017 OPG issued $500M of senior notes payable under a Medium Term Note Program for general corporate purposes.

** In December 2017, OPG issued non-voting Class A shares to the Province for its equity injection in the company, generating proceeds of $519M. These proceeds were used by OPG to purchase the Fair Hydro Trust's subordinated debt in the amount of 44%of the total funding requirement for the Trust's acquisition of Investment Interest from the IESO in December 2017.

*** The Trillium Trust regulation for the head office properties was filed in March 2018, with OPG paying the net proceeds of approximately $283M shortly after as a dividend to the Province. Note that the Trillium Trust regulation timing for the Lakeview site is likely to be in 2018. Analysis and verification of records in support of prescribed costs under the *Trillium Trust Act, 2014* needs to be undertaken.

Background

The following table provides the details of deferrals of debt and interest payments, refinancing, and new loans commencing from December of 2004.

Timing	Action	Details
July 2016 Board meeting	Received Minister's Directive on June 17, 2016, for general corporate purposes including Darlington Refurbishment project up to $700 million. Directive provides approval for subsequent loans not totalling more than $2.3 billion but is subject to concurrence by Shareholder with OPG's business plan, and to not exceed $3 billion in total.	Under credit facility, loans shall have a term not exceeding thirty years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread based on a survey of market rates. Interest rate and term of each loan shall be determined by OEFC. Loan agreement signed on June 17, 2016. An amendment was signed on September 6, 2017 to increase the amount of the credit facility to $1.5 billion in 2017 and $850 million in 2018.
December 2014 Board meeting	Subject to receiving Minister's Directive for general corporate purposes including Darlington Refurbishment project up to $800 million.	Under the credit facility, up to 50% of advances may have a term up to 30 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Received Minister's directive on December 18, 2014. Loan agreement was signed on December 22, 2014.
December 2013 Board meeting	Received Minister's Directive for general corporate purposes including Darlington Refurbishment project up to $500 million.	Under the credit facility, up to 50% of advances may have a term up to 30 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on December 20, 2013.
April 2012 Board meeting	Received Minister's Directive for refinancing of maturing debt up to $400 million.	Under the credit facility, advances up to $200 million may have a term up to 30 years. The remaining $200 million may have a term up to 10 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on April 26, 2012.
April 2011 Board meeting	Received Minister's Directive for refinancing of maturing debt up to $375 million.	Under the credit facility, each advance will have a term up to 30 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on March 7, 2011.
September 2010 Board meeting	Received Minister's Directive for $700 million loan to OPG for the Lower Mattagami project.	Under the credit facility each advance will have a term up to 10 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on March 7, 2011.

Timing	Action	Details
September 2009 Board meeting	Subject to receiving Minister's directives, approved the refinancing of maturing debt up to $970 million and an increase in the Niagara Tunnel loan to $1.6 billion.	The refinancing debt facility will have a term of one year; each advance will have a term up to 10 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Received Minister's directive on January 20, 2010 for refinancing up to $970 million of maturing debt. Loan agreement signed March 8, 2010. Received Minister's directive on April 22, 2010 for increase in the Niagara Tunnel loan to $1.6 billion and extension of the expiry date to December 2014. Amendment signed July 21, 2010.
June 2007 Board meeting	Pursuant to a Minister's directive dated June 11, 2007, approved a loan for up to $950 million for refinancing debt issued to OEFC and a loan for up to $500 million for general corporate requirements.	Structured to provide advances in tranches. The ability to draw on the refinancing facility to expire on Dec 31, 2009, and the general corporate requirements facility expired on March 31, 2008 (OPG has fully drawn on this facility). Each advance shall have a term up to 10 years. The interest rate is based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement for the general corporate requirements signed on June 14, 2007. Loan agreement for the refinancing maturing debt signed on July 6, 2007.
April 2006 Board meeting	Subject to receiving a Minister's directive, approved a loan for up to $400 million for the Portlands project and a loan for up to $50 for the Lac Seul project.	Structured to provide advances in tranches over a 3 year period. Each advance shall have a term as may be determined by the Chief Executive Officer of OEFC or his/her designate. Interest based on Government of Canada benchmark bond yield plus a spread determined by OEFC. Minister's Directives dated October 25, 2006. Loan agreements for the Portlands and Lac Seul projects signed on December 6, 2006.
September 2005 Board meeting	Pursuant to the Minister's Directive dated August 18, 2005, approved loan for up to $1 billion for the Niagara Tunnel project.	Structured to provide advances in tranches over a 5 year period commencing in 2005. Terms of each advance not to exceed 10 years. Interest based on Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement signed on September 21, 2005.

Timing	Action	Details
September 2005 Board meeting (cont'd)	Subject to receiving a Minister's Directive, approved a loan for up to $95 million for the Thunder Bay conversion.	Structured to provide advances in tranches over a 2 year period commencing late 2005 or early 2006. Terms of each advance not to exceed 10 years. Interest based on Government of Canada benchmark bond yield plus a spread determined by OEFC. Minister's Directive dated September 26, 2005. Loan agreement signed on November 14, 2005. In June 2006 the Government revoked its Directive to OPG on the Thunder Bay conversion project. OEFC and OPG terminated the loan agreement on September 29, 2006.
June 2005 Board meeting	OEFC Board was advised that OPG had approached OFA/OEFC to get funding indications for Niagara Tunnel Project. While the government had provided overall support for the Niagara Tunnel Project, OEFC Board advised that staff would be coming back to the board to request a loan once a directive had been obtained	
March 2005 Board meeting	Pursuant to a Minister's Directive, $600 million in loans was approved to address OPG operating cash flow funding requirements from April 1, 2005 to March 31, 2006	Structured to provide for drawdowns in 1 or more tranches at market rates for terms ranging from 3 to 7 years. Rates determined by OEFC. In May 2005, OPG borrowed $400 million, for a 7 year term at 5.715% (spread of 1.75% over the respective Canada bond)
	Loan approval for $98 million to OPG for a 5 year term commencing September 22, 2005	Loan to offset interest payments on loans due that day and to be extended at market rates determined by OEFC. Subsequently, OPG declined this loan due to higher than expected revenues.
December 2004 Board meeting	Extend $250 million March 22, 2005 debt maturity for another 5 years	Original average 5.62% borrowing cost maintained for extended loan
	Extend $250 million September 22, 2005 debt maturity for another 5 years	Original average 5.62% borrowing cost maintained for extended loan
	Loan $95 million to OPG for a 5 year term commencing Mar. 22, 2005	Loan to offset interest payments on loans due that day and 5.62% rate used for new loan

OPG Debt Maturity Schedule (at April 23, 2018, 2017):

Maturity Date	Coupon Rate (%)	Amount ($ m)
Jul 22, 2018	5.497	50
Oct 22, 2018	6.325	20
Jan 22, 2019	6.178	40
Mar 22, 2019	5.651	100
Apr 22, 2019	5.635	75
Jul 22, 2019	5.184	65
Oct 22, 2019	4.857	85
Jan 22, 2020	4.618	50
Mar 22, 2020	4.679	230
Apr 22, 2020	4.954	65
Jul 22, 2020	4.658	35
Sep 22, 2020	4.391	230
Oct 22, 2020	4.094	50
Jan 22, 2021	4.573	40
Apr 22, 2021	4.633	35
Jul 22, 2021	4.152	50
Oct 22, 2021	3.985	60
Jan 22, 2022	3.583	40
Apr 22, 2022	3.521	35
Jul 22, 2022	2.981	45
Oct 22, 2022	3.163	30
Jan 22, 2023	3.27	20
Apr 22, 2023	2.961	20
Nov 22, 2026	3.037	50
Mar 22, 2041	5.397	150
Sep 22, 2041	4.74	150
Apr 22, 2042	4.356	200
Nov 22, 2046	4.028	50
Feb 22, 2047	4.122	200
Jun 22, 2047	3.648	100
Aug 22, 2047	3.858	100
Sep 22, 2047	4.066	400
Jan 22, 2048	3.874	200
Mar 22, 2048	3.997	400
Total Outstanding		**3,470.0**

Status of Project Financing (at April 23, 2018):

Project	Amount Authorized under Loan Agreement	Total Borrowing to Date	Expiry Date of Loan Agreement	Status of Project
Corporate Credit Facility	$2.35 billion	$1,400 million	Dec 31, 2018	-
Niagara Tunnel	$1.6 billion	$1,065 million	Dec 30, 2014	Completed
Portlands	$400 million	$390 million	Dec 29, 2009	Completed
Lac Seul	$50 million	$50 million	Dec 29, 2009	Completed
Lower Mattagami	$700 million	-	June 30, 2016	Completed

Prepared by:
Electricity Finance Branch and Capital Market Division
April 23, 2018

From: John Kim
To: Ken Kandeepan
Subject: FW: OFHP - Business Issue next steps
Date: Tuesday, July 11, 2017 3:29:39 PM

Fyi, this is the string where we told Kaitlin that the OFA is not agreeable to being a party to.

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Tuesday, July 11, 2017 2:49 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Kenneth Russell <Kenneth.Russell@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: OFHP - Business Issue next steps

Ok I'll run that by ENE and see if there's any major concerns. Couple follow ups:

1. Can we still have a contact at OFA listed in the MSA that OPG can provide notice to?
2. When do you expect a draft SLA/MOU to be ready for ENE legal review?
3. Will ENE need to give OFA approval every month to issue the equity or can we delegate that authority for "up to xxB annually"?

Thanks,
Kaitlin

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: July 11, 2017 2:16 PM
To: Montgomery, Kaitlin (MOF)
Cc: Bruno Amara; Russell, Kenneth (OFA); Neville, Sarah (OFA); Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF)
Subject: RE: OFHP - Business Issue next steps

Hi Kaitlin,

Following our call, I had an internal discussion. Our preference is that the OFA not be a party to the Master Subscription Agreement. If we are to be a party, the agreement would need to reviewed and reworked fairly materially. If there is a strong view on wanting to see the OFA as party to it, then let's go down that path and have that discussion.

Whether it be an MOU or SLA, the OFA and Energy would be able to set out the terms of the equity injection.

Happy to discuss.

John

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Friday, July 07, 2017 3:34 PM

To: John Kim <John.Kim@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Kenneth Russell <Kenneth.Russell@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

It's based on a high-level term sheet that the policy areas were comfortable with (attached), though this wasn't ever formally approved or moved up the chain it was more just to get staff aligned so not locked into anything by any means.

I have not seen the Master Sale and Servicing Agreement - I have heard it mentioned a couple times through so suspect ENE legal would have a copy.

I think the purpose of having OFA be a direct party is to make sure OPG, OFA and ENE are all fully aware of each of their roles and to formalise the authority for OPG to deal directly with the OFA on the item. The high-level idea is that while ENE will be responsible for getting the annual appropriations, there is no monthly approval process/role for ENE. ENE will be one of the parties to receive notice, but it makes sense for the Subscription notice to go directly to OFA so ENE isn't a middle man adding time pressure. I was hopeful that this agreement could act as sort of a delegation of authority to some extent.

I agree the SLA is duplicative in this regard - my preference would be to scrap the SLA and just have the master agreement if it can accomplish the above intention, but if there is a preference to have a separate SLA and make the Master agreement just between OPG and ENE then happy to proceed on that basis.

Happy to discuss,
Kaitlin
416.326.6343

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: July 7, 2017 3:12 PM
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF)
Cc: Bruno Amara; Russell, Kenneth (OFA); Neville, Sarah (OFA); Montgomery, Kaitlin (MOF)
Subject: RE: OFHP - Business Issue next steps

Hi Malle,

My understanding is that OPG staff drafted the draft agreement. Clara Greco at OPG is the contact person.

Looping Kaitlin in as she has been in contact with OPG on this one.

Thanks,

John

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, July 06, 2017 10:04 AM
To: John Kim <John.Kim@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Kenneth Russell <Kenneth.Russell@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

Hi John,

Both OFA Legal and I have reviewed the subscription agreement on a preliminary basis. Why has the OFA been made a direct party to the agreement as it seems that the OFA has a "service" type function here which could be accommodated by a service level agreement between the Ministry Energy and the OFA.

Do you know who prepared this draft and is it based on a term sheet or another document that sets out what the roles of the various parties in this would be.

Thank you.

Malle

From: Hanslep, Malle (MOF)
Sent: July 5, 2017 9:57 AM
To: Kim, John (OFA); Whitfield, Tobias P. (MOF)
Cc: Bruno Amara
Subject: RE: OFHP - Business Issue next steps

Hi John,

Since OFA is directly being made a party to the subscription agreement, we should also get OFA legal's input so I will send this to Sarah Neville for her review too if that's ok. As well I would like to discuss the northern service level agreement with them and whether there are other situations where the OFA acts as an agent to make payments out of the CRF. I agree that some type of service level agreement would

I notice that the subscription agreement mentions that the first equity injection/share subscription will occur August 2017. Is this a realistic timeframe?

The commitments in section 1 seem very broad and open-ended – The Minister of Energy commits to fund up to 44% of the total financing required by the Fair Hydro Trust, to acquire Assets from the IESO under the Act and Regulations by way of equity subscription in OPG. The Master Sale and Servicing Agreement is in square brackets. Is a draft copy of this agreement available for review?

Also not sure what the purpose of s. 3.4 is and whether the Minister of Energy can agree to this process. I note that there is a note to draft there already.

Tom McKinlay of Energy Legal is also reviewing this draft and called to discuss it with me.

Thanks.

Malle

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: July 4, 2017 1:48 PM
To: Whitfield, Tobias P. (MOF)
Cc: Bruno Amara; Hanslep, Malle (MOF)
Subject: FW: OFHP - Business Issue next steps

Hi Toby,

Just wanted to get something going with an introductory email and to provide you with some context.

Pls. take a look at the Fair Hydro Master Subscription Agreement and the way the equity injection mechanism is envisioned, the operational set up with be under some sort of a service level agreement between Energy and OFA to facilitate the proposed monthly equity injection.

I have a type of service level agreement or MOU in this instance for the Northern Industrial Electricity Rate program as attached. We are hoping something similar could be put in place between Energy and the OFA for this purpose. (The MOU had been drafted by OFA Legal a few years ago when NIER first came into place and have been revised a few times since)

Happy to discuss.

Thanks,

John

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Wednesday, June 28, 2017 9:55 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

Thanks Ken – Are you aware how the potential timing issue with appropriations is handled on the credit side? OPG seemed to think that the OFA had some process in place so that even though only 1 year of appropriations is approved at a time there is always coverage post March 31, 2017 in the event the budget is delayed but OPG needs to borrow. I was just hoping to incorporate something similar on the ENE side so that we don't run into any issues.

OPG provided a draft Master Subscription Agreement based on the term sheet. I will run this by legal as well but please feel free to provide comments/edits.

Kaitlin

From: Ken Kandeepan [mailto:Ken.Kandeepan@ofina.on.ca]
Sent: June 24, 2017 11:45 AM
To: Montgomery, Kaitlin (MOF)
Cc: Kim, John (OFA); Manning, Mike (OFA)
Subject: RE: OFHP - Business Issue next steps

Hi Kaitlin

My apologies for the delay in responding, just going through my emails from last week, I am ok with the term sheet, you had however, raised a comment re the appropriations. Note that since the OFA will simply be a service provided in this arrangement, i.e.,
We will not be able to provide cash management services including the transfer of the funds from the Province to OPG for the equity injection until the appropriations are approved.

Thanks

Ken k

From
: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Wednesday, June 21, 2017 2:27 PM
To: John Kim <John.Kim@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

Hi all – just following up on the equity injection term sheet. I'm going to send this to ENE legal now so that they can start to digest given that the next step will be preparation of the Master Subscription Agreement. I'm assuming there aren't any major concerns but if there are items you'd like to modify if you could pass those along this week I'd appreciate it. Please note that there is a question embedded in the document regarding appropriations that I'm hoping one of you will have insight on.

At the meeting with OPG a few weeks back you had mentioned that there would likely need to be some sort of Service Level Agreement between OFA and ENE – is there a similar agreement you already have in place that we could work from?

Thanks,
Kaitlin

From: Montgomery, Kaitlin (MOF)
Sent: June 5, 2017 3:55 PM
To: Kim, John (OFA) (John.Kim@ofina.on.ca); Kandeepan, Ken (OFA) (Ken.Kandeepan@ofina.on.ca); Manning, Mike (OFA)
Subject: OFHP - Business Issue next steps

Hi everyone,

As a follow up to today's meeting there are a couple items I think can move forward at this point.

1. Equity Injection Mechanics (draft term sheet attached)
    a. If comfortable, OPG would draft Master Subscription agreement, OFA/ENE would develop service level agreement for cash management services and ENE legal would move forward with amendment to OPG articles to facilitate new class of shares
2. Performance Fee Recommendation (OPG recommended approach attached)
    a. If comfortable, OPG would assist ENE in developing regulation language

My proposed next steps, subject to your agreement, would be to share these documents with ENE legal today and then table them at a Thursday morning meeting with ENE DMO/MO (along with an updated "business issues" note, which I'll send around for everyone's input in the next day or so). After that meeting I would send the same materials /update to MOF DMO along with any new updates received at that meeting.

Could you please confirm you have no further comments and that you agree with this approach and also that there's no other materials/terms that you think need to move up through approvals at this point in time?

Thanks in advance,
Kaitlin

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	John Kim
To:	Ken Kandeepan
Subject:	FW: OFHP - Business Issue next steps
Date:	Tuesday, July 11, 2017 3:20:49 PM
Attachments:	Term Sheet_Master Subscription_draft June 13.docx

Fyi.

From: Sarah Neville
Sent: Tuesday, July 11, 2017 2:27 PM
To: Kenneth Russell <Kenneth.Russell@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: FW: OFHP - Business Issue next steps

Hello –

My strong preference and recommendation is that the OFA not be a party to the Subscription Agreement and that its role as cash flow facilitator/service provider along with a clear delineation of the authorities under which the OFA is acting be established in a separate MOU with Energy (e.g. the term sheet contemplates that a completed/signed subscription form will be provided to OPG from the OFA, is the OFA receiving the subscription form from Energy or is it anticipated that OFA will be executing the form on behalf of Energy? If so, what is the source of the authority for Energy to sign and how is it anticipated that MOE's authority will be delegated to the OFA? The term sheet provides that OFA will receive a share certificate confirming issuance of shares/update of share register sent to OFA and Energy. Why is the OFA receiving this? Is it anticipated that the OFA will have some on-going responsibility/role in respect of the shares/due diligence in ensuring that the shares are issued in exchange for the funds or maintaining records in respect of these transactions beyond flowing the "equity injection" and receiving a receipt?).

I think the arrangement and documentation needs to be clear that OFA is not providing services to OPG as a function of this arrangement (and OPG is not a public body, so OFA cannot provide services to OPG).

If there is a desire for OPG to be aware of the obligations and procedures established in arrangement between the OFA and Energy, the MOU can be attached as a schedule to the Subscription Agreement and the Ministry of Energy can undertake in the Subscription Agreement not to change or amend the MOU without prior written notice to OPG.

Happy to discuss further if there is more context/detail as to what the OFA's role is that I am not aware of beyond the term sheet.

Thanks very much,

Sarah

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Friday, July 07, 2017 3:34 PM
To: John Kim <John.Kim@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Kenneth Russell <Kenneth.Russell@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

It's based on a high-level term sheet that the policy areas were comfortable with (attached), though this wasn't ever formally approved or moved up the chain it was more just to get staff aligned so not locked into anything by any means.

I have not seen the Master Sale and Servicing Agreement - I have heard it mentioned a couple times through so suspect ENE legal would have a copy.

I think the purpose of having OFA be a direct party is to make sure OPG, OFA and ENE are all fully aware of each of their roles and to formalise the authority for OPG to deal directly with the OFA on the item. The high-level idea is that while ENE will be responsible for getting the annual appropriations, there is no monthly approval process/role for ENE. ENE will be one of the parties to receive notice, but it makes sense for the Subscription notice to go directly to OFA so ENE isn't a middle man adding time pressure. I was hopeful that this agreement could act as sort of a delegation of authority to some extent.

I agree the SLA is duplicative in this regard - my preference would be to scrap the SLA and just have the master agreement if it can accomplish the above intention, but if there is a preference to have a separate SLA and make the Master agreement just between OPG and ENE then happy to proceed on that basis.

Happy to discuss,
Kaitlin
416.326.6343

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: July 7, 2017 3:12 PM
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF)
Cc: Bruno Amara; Russell, Kenneth (OFA); Neville, Sarah (OFA); Montgomery, Kaitlin (MOF)
Subject: RE: OFHP - Business Issue next steps

Hi Malle,

My understanding is that OPG staff drafted the draft agreement. Clara Greco at OPG is the contact person.

Looping Kaitlin in as she has been in contact with OPG on this one.

Thanks,

John

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, July 06, 2017 10:04 AM
To: John Kim <John.Kim@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Kenneth Russell <Kenneth.Russell@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

Hi John,

Both OFA Legal and I have reviewed the subscription agreement on a preliminary basis. Why has the OFA been made a direct party to the agreement as it seems that the OFA has a "service" type function here which could be accommodated by a service level agreement between the Ministry Energy and the OFA.

Do you know who prepared this draft and is it based on a term sheet or another document that sets out what the roles of the various parties in this would be.

Thank you.

Malle

From: Hanslep, Malle (MOF)
Sent: July 5, 2017 9:57 AM
To: Kim, John (OFA); Whitfield, Tobias P. (MOF)
Cc: Bruno Amara
Subject: RE: OFHP - Business Issue next steps

Hi John,

Since OFA is directly being made a party to the subscription agreement, we should also get OFA legal's input so I will send this to Sarah Neville for her review too if that's ok. As well I would like to discuss the northern service level agreement with them and whether there are other situations where the OFA acts as an agent to make payments out of the CRF. I agree that some type of service level agreement would

I notice that the subscription agreement mentions that the first equity injection/share subscription will occur August 2017. Is this a realistic timeframe?

The commitments in section 1 seem very broad and open-ended – The Minister of Energy commits to fund up to 44% of the total financing required by the Fair Hydro Trust, to acquire Assets from the IESO under the Act and Regulations by way of equity subscription in OPG. The Master Sale and Servicing Agreement is in square brackets. Is a draft copy of this agreement available for review?

Also not sure what the purpose of s. 3.4 is and whether the Minister of Energy can agree to

this process. I note that there is a note to draft there already.

Tom McKinlay of Energy Legal is also reviewing this draft and called to discuss it with me.

Thanks.

Malle

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: July 4, 2017 1:48 PM
To: Whitfield, Tobias P. (MOF)
Cc: Bruno Amara; Hanslep, Malle (MOF)
Subject: FW: OFHP - Business Issue next steps

Hi Toby,

Just wanted to get something going with an introductory email and to provide you with some context.

Pls. take a look at the Fair Hydro Master Subscription Agreement and the way the equity injection mechanism is envisioned, the operational set up with be under some sort of a service level agreement between Energy and OFA to facilitate the proposed monthly equity injection.

I have a type of service level agreement or MOU in this instance for the Northern Industrial Electricity Rate program as attached. We are hoping something similar could be put in place between Energy and the OFA for this purpose. (The MOU had been drafted by OFA Legal a few years ago when NIER first came into place and have been revised a few times since)

Happy to discuss.

Thanks,

John

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Wednesday, June 28, 2017 9:55 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

Thanks Ken – Are you aware how the potential timing issue with appropriations is handled on the credit side? OPG seemed to think that the OFA had some process in place so that even though only 1 year of appropriations is approved at a time there is always coverage post March 31, 2017 in the event the budget is delayed but OPG needs to borrow. I was just hoping to incorporate something similar on the ENE side so that we don't run into any issues.

OPG provided a draft Master Subscription Agreement based on the term sheet. I will run this by legal as well but please feel free to provide comments/edits.

Kaitlin

From: Ken Kandeepan [mailto:Ken.Kandeepan@ofina.on.ca]
Sent: June 24, 2017 11:45 AM
To: Montgomery, Kaitlin (MOF)
Cc: Kim, John (OFA); Manning, Mike (OFA)
Subject: RE: OFHP - Business Issue next steps

Hi Kaitlin

My apologies for the delay in responding, just going through my emails from last week, I am ok with the term sheet, you had however, raised a comment re the appropriations. Note that since the OFA will simply be a service provided in this arrangement, i.e.,
We will not be able to provide cash management services including the transfer of the funds from the Province to OPG for the equity injection until the appropriations are approved.

Thanks

Ken k

From
: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Wednesday, June 21, 2017 2:27 PM
To: John Kim <John.Kim@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

Hi all – just following up on the equity injection term sheet. I'm going to send this to ENE legal now so that they can start to digest given that the next step will be preparation of the Master Subscription Agreement. I'm assuming there aren't any major concerns but if there are items you'd like to modify if you could pass those along this week I'd appreciate it. Please note that there is a question embedded in the document regarding appropriations that I'm hoping one of you will have insight on.

At the meeting with OPG a few weeks back you had mentioned that there would likely need to be some sort of Service Level Agreement between OFA and ENE – is there a similar agreement you already have in place that we could work from?

Thanks,
Kaitlin

From: Montgomery, Kaitlin (MOF)
Sent: June 5, 2017 3:55 PM

To: Kim, John (OFA) (John.Kim@ofina.on.ca); Kandeepan, Ken (OFA) (Ken.Kandeepan@ofina.on.ca); Manning, Mike (OFA)
Subject: OFHP - Business Issue next steps

Hi everyone,

As a follow up to today's meeting there are a couple items I think can move forward at this point.

1. Equity Injection Mechanics (draft term sheet attached)
    a. If comfortable, OPG would draft Master Subscription agreement, OFA/ENE would develop service level agreement for cash management services and ENE legal would move forward with amendment to OPG articles to facilitate new class of shares
2. Performance Fee Recommendation (OPG recommended approach attached)
    a. If comfortable, OPG would assist ENE in developing regulation language

My proposed next steps, subject to your agreement, would be to share these documents with ENE legal today and then table them at a Thursday morning meeting with ENE DMO/MO (along with an updated "business issues" note, which I'll send around for everyone's input in the next day or so). After that meeting I would send the same materials /update to MOF DMO along with any new updates received at that meeting.

Could you please confirm you have no further comments and that you agree with this approach and also that there's no other materials/terms that you think need to move up through approvals at this point in time?

Thanks in advance,
Kaitlin

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

Fair Hydro Plan –Master Subscription Agreement
Term Sheet

- Parties: OPG, OFA, Ministry of Energy
- The Province agrees to inject 44% of total funding of GA asset by way of equity subscription in OPG, which amount OPG in turn will invest in the Fair Hydro Trust as subordinated debt (**Equity Injection Plan**)
- Minister of Energy/Province approves Equity Injection Plan, and initial equity injection amount for 2017/18 fiscal year, and delegates to appropriate ministry staff authority to implement Equity Injection Plan (**Delegated Authority**)
- Long term, OPG equity requirements will form part of the business planning process in place between OPG and Ministry of Energy, ie, annually OPG to include forecasts of its equity requirements for the upcoming 3 years in its business plan submission -- NOTE: this portion of the business plan is not subject to concurrence by the shareholder
- Ministry of Energy will seek appropriation on an annual basis through PRRT for the amounts requested by OPG for its equity requirements-- NOTE: amount of annual appropriation to cover OPG multi year forecasts
- Ministry of Energy and Ontario Financing Authority will have a service level agreement in place which provides authority for OFA to provide cash management services to facilitate these share purchases on an ongoing basis on behalf of the Ministry of Energy
- OPG agrees use the equity subscription amounts solely for funding the Fair Hydro Trust's subordinated debt requirements as part of the Fair Hydro Plan
- OPG will amend its Articles to create an additional class of shares – Class A Shares – which will be non-voting and redeemable at OPG's option
- OPG will issue Class A Shares to the Province monthly at a value per share equal to book value, as determined from OPG's last approved quarterly financial statements -- Value of first Class A shares issued to Province will be based on book value of OPG common shares – ie, existing shareholder's equity
- OPG will have the right to repay equity to the Province, through exercise of its right to redeem the Class A Shares, as principal repayment of the subordinated debt is made commencing in 2027
- Redemption value of the Class A Shares to be based on book value on the redemption date, ie, the equity value per Class A share at the end of the prior financial quarter as set out in OPG's approved financial statements

Formatted: Indent: Left: 0.5", No bullets or numbering

Monthly Process/Mechanics of Share Subscriptions:

a) OPG notifies OFA and Ministry of Energy of required equity injection and number of shares

Timing: [same day as notice from Fair Hydro Trust]

Documents/steps:

(i) share subscription form,

(ii) supporting documentation/invoice from Fair Hydro Trust, confirming amount of GA asset purchase for the month

b) OFA and OPG settle equity injection amounts
Timing: [five] business days from notice to OFA to payment/settlement with OPG
[NOTE: timing to be confirmed based on IESO/Trust process requirements]
Documents/steps:
(i) completed/signed share subscription form from OFA/Province to OPG
(ii) funds transfer from OFA to OPG account)
(iii) OPG receipt, together with secretary's certificate confirming issue of shares/update of share register sent to OFA and Ministry of Energy

Longer term Process/Approvals:

1. Equity Requirements Estimates:
   a. Business Plan Submissions: OPG to include forecasts of equity requirements for the business planning period as well as supporting documentation
   a.
   b. OPG Board Approvals
      - [Bi-annual] Board of Directors' resolutions authorizing equity requirement for period
      - [Bi-annual Shareholder's resolutions authorizing equity requirement for period][NOTE: TBD if needed]

   c. Ministry of Energy appropriations
   [describe annual process]- Ministry of Energy to update appropriations for upcoming 3 year cycle through the PRRT process, including 3 year rolling estimates along with supporting information as provided by OPG through its business planning process.

Share Redemption Process

- TBD -- process to be determined at a later date and appended as Appendix to Master Subscription Agreement

Formatted: Indent: Left: 2", No bullets or numbering

Commented [KC1]: Technically appropriation authority doesn't come into effect until the Budget passes. In the event of a post-March 31 Budget, we would need to seek a temporary allocation from OPCD until the budget is approved. Is this handled differently on the loan side at OFA?

From:	John Kim
To:	Kenneth Russell
Cc:	Ken Kandeepan; Mike Manning; Sarah Neville; Malle Hanslep (MOF); Tobias P. Whitfield (MOF)
Subject:	FW: OFHP - Business Issue next steps
Date:	Tuesday, July 11, 2017 4:14:06 PM
Attachments:	Fair Hydro - MasterSubscripAgt - June 22_OPG.DOCX

Hi,

FYI, an email from Ken's staff in FTD made me realize there was a version of the draft agreement.

I've been looping everyone in so that all are on the same page.

I think we are on the same page in taking the approach of not being party to the Master Subscription Agreement and having a separate MOU/SLA (between Energy and the OFA).

John

From: Ken Kandeepan
Sent: Sunday, July 09, 2017 11:39 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; George Sakura <George.Sakura@ofina.on.ca>; Risa Thau <Risa.Thau@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Alfonso Soriano <Alfonso.Soriano@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: FW: OFHP - Business Issue next steps

I went through this quickly and I don't have any comments; I believe that the actual transfer of funds to OPG for the equity injection will be governed by a SLA between OFA and the Ministry of Energy and we of course need to review that carefully. However, I would like you take a quick look and let me know if you have any comments.

Thanks

Ken k

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Thursday, July 06, 2017 9:12 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: FW: OFHP - Business Issue next steps

As mentioned yesterday – this is a draft of the Master Subscription Agreement.

Please let me know if you have any suggested edits.

Kaitlin

From: Montgomery, Kaitlin (MOF)
Sent: June 28, 2017 9:55 AM
To: Kandeepan, Ken (OFA)
Cc: Kim, John (OFA); Manning, Mike (OFA)
Subject: RE: OFHP - Business Issue next steps

Thanks Ken – Are you aware how the potential timing issue with appropriations is handled on the credit side? OPG seemed to think that the OFA had some process in place so that even though only 1 year of appropriations is approved at a time there is always coverage post March 31, 2017 in the event the budget is delayed but OPG needs to borrow. I was just hoping to incorporate something similar on the ENE side so that we don't run into any issues.

OPG provided a draft Master Subscription Agreement based on the term sheet. I will run this by legal as well but please feel free to provide comments/edits.

Kaitlin

From: Ken Kandeepan [mailto:Ken.Kandeepan@ofina.on.ca]
Sent: June 24, 2017 11:45 AM
To: Montgomery, Kaitlin (MOF)
Cc: Kim, John (OFA); Manning, Mike (OFA)
Subject: RE: OFHP - Business Issue next steps

Hi Kaitlin

My apologies for the delay in responding, just going through my emails from last week, I am ok with the term sheet, you had however, raised a comment re the appropriations. Note that since the OFA will simply be a service provided in this arrangement, i.e.,
We will not be able to provide cash management services including the transfer of the funds from the Province to OPG for the equity injection until the appropriations are approved.

Thanks

Ken k

From
: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Wednesday, June 21, 2017 2:27 PM
To: John Kim <John.Kim@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

Hi all – just following up on the equity injection term sheet. I'm going to send this to ENE legal now so that they can start to digest given that the next step will be preparation of the Master Subscription Agreement. I'm assuming there aren't any major concerns but if there are items you'd like to modify if you could pass those along this week I'd appreciate it. Please note that there is a question embedded in the document regarding appropriations that I'm hoping one of you will have insight on.

At the meeting with OPG a few weeks back you had mentioned that there would likely need to be some sort of Service Level Agreement between OFA and ENE – is there a similar agreement you already have in place that we could work from?

Thanks,
Kaitlin

From: Montgomery, Kaitlin (MOF)
Sent: June 5, 2017 3:55 PM
To: Kim, John (OFA) (John.Kim@ofina.on.ca); Kandeepan, Ken (OFA) (Ken.Kandeepan@ofina.on.ca); Manning, Mike (OFA)
Subject: OFHP - Business Issue next steps

Hi everyone,

As a follow up to today's meeting there are a couple items I think can move forward at this point.

1. Equity Injection Mechanics (draft term sheet attached)
    a. If comfortable, OPG would draft Master Subscription agreement, OFA/ENE would develop service level agreement for cash management services and ENE legal would move forward with amendment to OPG articles to facilitate new class of shares
2. Performance Fee Recommendation (OPG recommended approach attached)
    a. If comfortable, OPG would assist ENE in developing regulation language

My proposed next steps, subject to your agreement, would be to share these documents with ENE legal today and then table them at a Thursday morning meeting with ENE DMO/MO (along with an updated "business issues" note, which I'll send around for everyone's input in the next day or so). After that meeting I would send the same materials /update to MOF DMO along with any new updates received at that meeting.

Could you please confirm you have no further comments and that you agree with this approach and also that there's no other materials/terms that you think need to move up through approvals at this point in time?

Thanks in advance,
Kaitlin

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

DRAFT: JUNE 22, 2017

MASTER SHARE SUBSCRIPTION AGREEMENT

among

MINISTER OF ENERGY

- and –

ONTARIO POWER GENERATION

- and -

ONTARIO FINANCING AUTHORITY

Dated as of ■, 2017

EXHIBITS

Exhibit A	--	Share Subscription Form
Exhibit B	--	Subscription Supporting Information
Exhibit C	--	Receipt and Certificate
Exhibit D	--	Payment/Wire Transfer instructions
Exhibit E	--	Share Redemption Process

MASTER SHARE SUBSCRIPTION AGREEMENT

THIS AGREEMENT made as of ■, 2017.

AMONG:

HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO, as represented by the Minister of Energy

(the "**Minister**")

- and -

ONTARIO POWER GENERATION INC., a corporation established under the laws of the Province of Ontario

("OPG")

- and -

ONTARIO FINANCING AUTHORITY, a [ ]

(the "**OFA**")

Background

1. The Government of Ontario enacted the *Ontario Fair Hydro Act, 2017* (the "Act") to implement its Fair Hydro Plan (the "FHP"). The Act's purpose is, among other things, to ensure that clean energy costs and clean energy benefits are fairly allocated among present and future specified consumers.

2. The Act and the regulations promulgated under the Act (the "Regulations") creates certain assets related to the deferral of electricity charges (the "Assets"), which Assets will be acquired from the Independent Electricity System Operator ("IESO") by the special purpose financing entity established by OPG to implement the financing plan to fund the deferral under the Act (the "Fair Hydro Trust") **[NTD: use "Financing Entity"??].**

3. The Fair Hydro Trust will acquire the Assets monthly from IESO and finance them in accordance with the financing plan, which includes both senior debt (minimum of 51%) from external sources and subordinated debt (up to 49%) from OPG.

4. The Minister has agreed to fund up to 44% of the total funding requirement for the Assets through equity injections in OPG and OPG has agreed to use the equity injections solely for funding the Fair Hydro Trust's subordinated debt (the "Equity Injection Plan").

5. For purposes of the Equity Injection Plan, OPG [will amend] [has amended] its articles to create a new class of non-voting, redeemable shares (the "Class A Shares"). The Minister will subscribe for Class A Shares monthly in accordance with the process set forth in this Agreement and OPG will in turn invest these amounts in subordinated debt of the Fair Hydro Trust.

6. OPG will be entitled from time to time to redeem or buy back outstanding Class A Shares in connection with repayment of the Fair Hydro Trust subordinated debt or other purposes as may be approved by the OPG board of directors.

7. The Minister and the OFA have entered into a service level agreement (the "SLA") which provides the OFA with authority to provide cash management services to facilitate the share purchases on an ongoing basis on behalf of the Minister.

8. The parties desire to set out in this Agreement the process and mechanisms by which the equity injections and share purchases will occur and their respective roles and responsibilities in the Equity Injection Plan.

NOW THEREFORE the parties hereto agree as follows:

1. Confirmation of Equity Injection and Use of Funds

1.1 The Minister commits to fund up to 44% of the total financing required by the Fair Hydro Trust, to acquire Assets from the IESO under the Act and Regulations, by way of equity subscriptions in OPG.

1.2 OPG agrees to use the equity received from the Minister solely to lend as subordinated debt to the Fair Hydro Trust to fund the Fair Hydro Trust's obligations under the [Master Sale and Servicing Agreement][**NTD: confirm name]** between the IESO and the Fair Hydro Trust, and the Act and Regulations.

2. Monthly Share Subscription Process

2.1 The Minister, through the OFA, will subscribe for and purchase Class A Shares from OPG monthly, in an amount, and for a value, as determined by OPG in accordance with paragraph 2.2 below.

2.2 Each month, coincident with the asset acquisition to be made by the Fair Hydro Trust from the IESO under the [Master Sale and Servicing Agreement], OPG will provide notice to the Minister and the OFA of the amount of equity injection required and the corresponding number of shares to be issued by OPG and subscribed by the Minister. This notice will be in the form of the Share Subscription attached as Exhibit A. OPG will also provide reasonable supporting information for the values and amounts set out in the Share Subscription, in the form of the Subscription Supporting Information attached as Exhibit B.

2.3 For purposes of providing the reasonable supporting information required under paragraph 2.2 above, OPG agrees:

(i) that the value of the monthly equity injection/share subscription amount will reflect the monthly funding requirements of the Fair Hydro Trust acquisitions under the [Master Sale and Servicing Agreement],; and

(ii) Class A Shares will be issued to the Minister at a value per share equal to their book value as determined from OPG's last approved quarterly financial statements. **[NTD: do we need any more specificity here?]**

2.4 Within [five] Business Days of receipt of the notice and supporting information described in paragraph 2.2, the OFA will deliver the executed Share Subscription to OPG and wire transfer, in immediately available funds, the required equity funds in accordance with the payment instructions set out in Exhibit D or as may be otherwise provided by OPG from time to time. For purposes of this Agreement, "Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in Toronto, Ontario are authorized or obligated by law, regulation or executive order to be closed.

2.5 OPG will issue a receipt to the Minister and the OFA, in the form of Exhibit C attached, confirming receipt of the equity amount and certifying as to the update of OPG's corporate share register with issue of the shares in the name of the Minister.

2.6 The first equity injection/share subscription will occur [August x 2017] (the "Initial Equity Injection"). Equity injections will continue monthly so long as the Fair Hydro Trust is purchasing assets and incurring debt obligations, including subordinated debt in favour of OPG, pursuant to the Act and Regulations.

3. Equity Requirement Forecasts and Approvals

3.1 OPG will prepare and submit forecasts of equity requirements for the applicable business planning period as part of its business plan submissions to the Shareholder in accordance with the Memorandum of Agreement between the Minister and OPG effective July 17, 2015 (the "MOA") as amended, restated or replaced from time to time. For clarity, OPG will submit annually, as part of its business plan submissions, the FHP equity requirements forecast for the upcoming 3 years.

3.2 OPG's equity requirement forecast submissions will include all reasonable supporting information and documentation. **[NTD: any more specificity required?]**

3.3 The OFA and the Minister confirm that OPG's equity requirement forecasts submitted with OPG's business plans will not require concurrence by the Shareholder as set out in the MOA.

3.4 In accordance with the submissions made under paragraph 3.1 above, the Minister will update the appropriations for the upcoming 3 year cycle through the PRRT process, including 3 year rolling estimates along with supporting information as provided by OPG through its business planning process.**[NTD: clarify that purpose of this clause is to confirm Energy will seek out and obtain required appropriations]**

4. Share Redemption Process

5.1 The Minister and OPG agree to set out the required process for any future redemption by OPG of outstanding Class A Shares in an appendix to this Agreement and attach it as Exhibit E. Exhibit E will be finalized before the first share redemption [and in any case no later than [90] Business Days before the effective date of such redemption].**[NTD: confirm if need timeframe]**

6. Miscellaneous

6.1 Notices

Any notice, report or other communication to be given under this Agreement will be in writing and will be effective (a) upon receipt when sent by mail or courier, (b) on the date personally delivered to an authorized officer of the party to which sent, or (c) on the date transmitted by electronic transmission with a confirmation of receipt in all cases, addressed as follows:

in the case of the Minister:

■

in the case of the OFA:

■

in the case of OPG:

Ontario Power Generation Inc.
700 University Avenue

Toronto, Ontario
M5G 1X6

Attention: ■
Email: ■

and

Attention: ■
Email: ■

Each party may by notice given as above to the other party or parties hereto, designate any further or different address to which subsequent notices, reports and other communications will be sent.

6.2 Separate Counterparts; Electronic Delivery

This Agreement may be executed by the parties in separate counterparts, each of which when so executed and delivered will be considered an original, but all such counterparts together constitute but one and the same instrument. Delivery of an executed signature page to this Agreement by a party by electronic transmission will be as effective as delivery of a manually executed copy of this Agreement by such party.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers as of the day and year first above written.

MINISTER OF ENERGY

_____

ONTARIO POWER GENERATION INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

ONTARIO FINANCING AUTHORITY

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT A

SHARE SUBCRIPTION FORM

See attached

EXHIBIT B

SUBSCRIPTION SUPPORTING INFORMATION

[NTD: TBD what will support monthly equity injection calculation; for example Transfer Notice? Invoice?]

Exhibit C

FORM OF RECEIPT/OFFICER'S CERTIFICATE

EXHIBIT D

Payment/Wire Transfer Instructions

Bank: Bank of Nova Scotia
Address: 44 King Street West Toronto, Ontario MSH 1H1
SWIFT Code: NOSCCATT
Branch Transit: 47696
Bank Code: 002
Account Number: 476960302716

EXHIBIT E

SHARE REDEMPTION PROCESS

TBD

From:	Shajee Kathirgamanathan
To:	John Kim
Subject:	FW: OPG senior debt
Date:	Friday, June 01, 2018 11:15:27 AM

Fyi, Carlson responded…in his assessment they are almost the same.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Carlos Yep
Sent: Friday, June 01, 2018 11:12 AM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: Re: OPG senior debt

Hi
That is almost par. So the coupon and yield are almost the same.
C

Sent from my iPhone

On Jun 1, 2018, at 10:16 AM, Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca> wrote:

> Hi Carlos,
>
> Thanks for this information below about the FHT debt.
>
> We noticed that the issue price for the Senior Debt was 100.003 and 100.002 for the Feb 6 and April 19 bonds respectively.
>
> Just want to confirm if this is relevant for our assessment; we're trying to assess the interest rates with commission.
>
> By my logic the if issue price were above 100.00, then the bonds were priced above par, sold at a premium and the actual yield would be less than the interest/coupon rate. Would this make sense?
>
> Thanks,
> Shajee
>
> **Shajee Kathirgamanathan**
> Office: 416-325-1402 | Mobile: 647-294-3359
> shajee.kathirgamanathan@ofina.on.ca
>
> > **From:** Carlos Yep <Carlos.Yep@ofina.on.ca>
> > **Date:** May 31, 2018 at 4:36:02 PM EDT

To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OPG senior debt

John,
No, the commission was not included. Commission on the 2038 bonds was $0.55

15May2033 $500M 3.357% priced on 06Feb2018 at GoC2033 + 91.9
15may2038 $400M 3.520% priced on 19Apr2018 at GoC2037 + 107.6

Regards
Carlos

-----Original Message-----
From: John Kim
Sent: Thursday, May 31, 2018 4:24 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: OPG senior debt

Hi Carlos,

On April 24 and in February when the senior debt was issued, we got the rates at which the notes were issued. Would you know if the rate would be inclusive of commission or if not what the commission would be?

I am offsite so cannot chat.

John

Sent from my iPhone

<sg2018053159339.gif>

<sg2018053159311.gif>

From: Shajee Kathirgamanathan
To: Carlos Yep
Cc: John Kim
Subject: FW: OPG senior debt
Date: Friday, June 01, 2018 10:16:05 AM

Hi Carlos,

Thanks for this information below about the FHT debt.

We noticed that the issue price for the Senior Debt was 100.003 and 100.002 for the Feb 6 and April 19 bonds respectively.

Just want to confirm if this is relevant for our assessment; we're trying to assess the interest rates with commission.

By my logic the if issue price were above 100.00, then the bonds were priced above par, sold at a premium and the actual yield would be less than the interest/coupon rate. Would this make sense?

Thanks,
Shajee

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Carlos Yep <Carlos.Yep@ofina.on.ca>
Date: May 31, 2018 at 4:36:02 PM EDT
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OPG senior debt

John,
No, the commission was not included. Commission on the 2038 bonds was $0.55

15May2033 $500M 3.357% priced on 06Feb2018 at GoC2033 + 91.9
15may2038 $400M 3.520% priced on 19Apr2018 at GoC2037 + 107.6

Regards
Carlos

-----Original Message-----
From: John Kim
Sent: Thursday, May 31, 2018 4:24 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: OPG senior debt

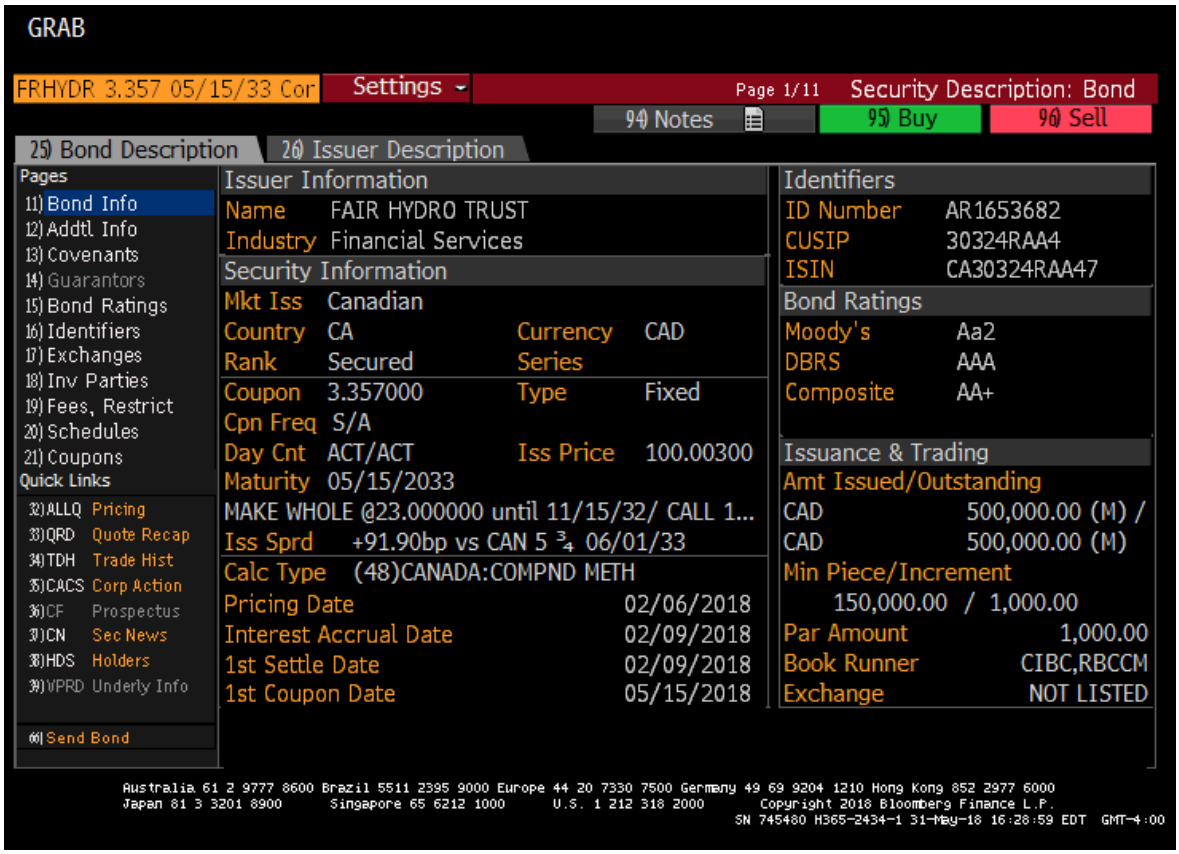
Hi Carlos,

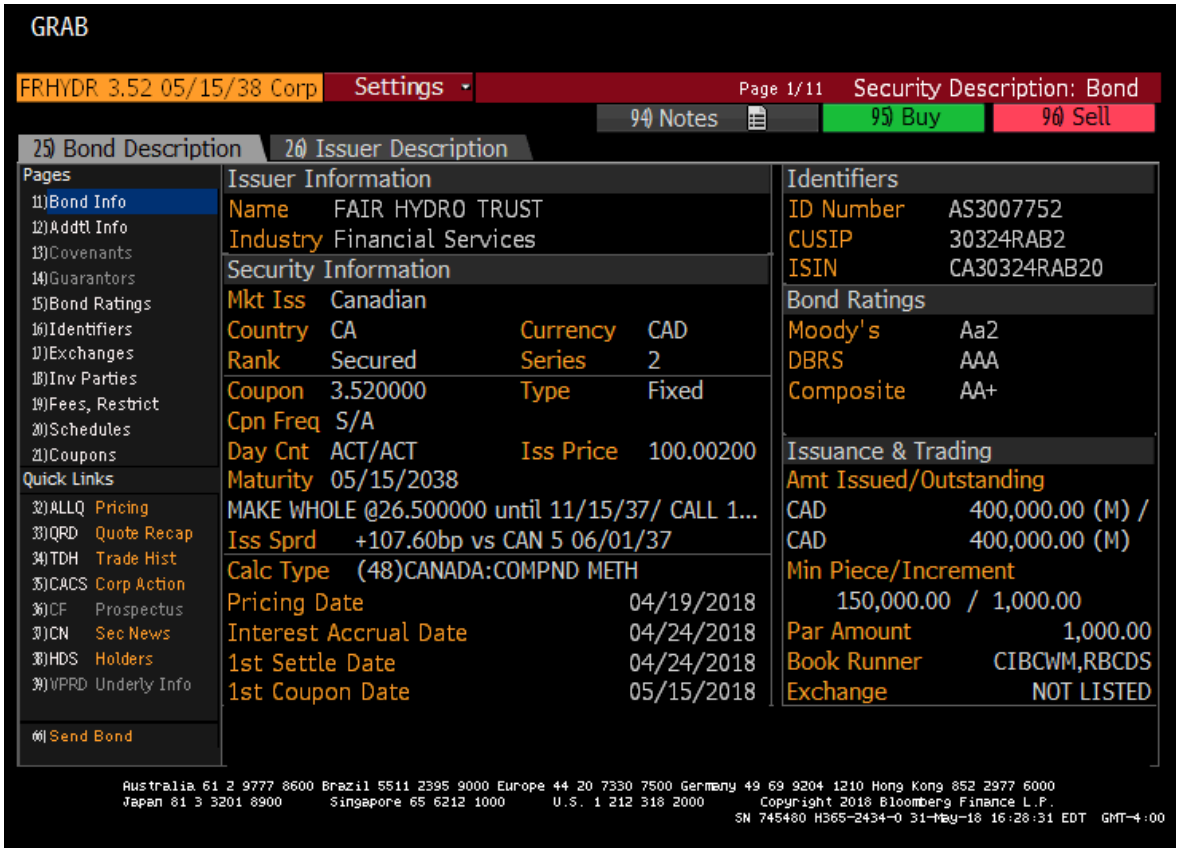
On April 24 and in February when the senior debt was issued, we got the rates at which the notes were issued. Would you know if the rate would be inclusive of commission or if not what the commission would be?

I am offsite so cannot chat.

John

Sent from my iPhone


GRAB
FRHYDR 3.357 05/15/33 Cor
Settings
Page 1/11
Security Description: Bond
94) Notes
95) Buy
96) Sell
25) Bond Description
26) Issuer Description
Pages
11) Bond Info
12) Addtl Info
13) Covenants
14) Guarantors
15) Bond Ratings
16) Identifiers
17) Exchanges
18) Inv Parties
19) Fees, Restrict
20) Schedules
21) Coupons
Quick Links
32) ALLQ Pricing
33) QRD Quote Recap
34) TDH Trade Hist
35) CACS Corp Action
36) CF Prospectus
37) CN Sec News
38) HDS Holders
39) VPRD Underly Info
66) Send Bond
Issuer Information
Name FAIR HYDRO TRUST
Industry Financial Services
Security Information
Mkt Iss Canadian
Country CA
Currency CAD
Rank Secured
Series
Coupon 3.357000
Type Fixed
Cpn Freq S/A
Day Cnt ACT/ACT
Iss Price 100.00300
Maturity 05/15/2033
MAKE WHOLE @23.000000 until 11/15/32/ CALL 1...
Iss Sprd +91.90bp vs CAN 5 3/4 06/01/33
Calc Type (48)CANADA:COMPND METH
Pricing Date 02/06/2018
Interest Accrual Date 02/09/2018
1st Settle Date 02/09/2018
1st Coupon Date 05/15/2018
Identifiers
ID Number AR1653682
CUSIP 30324RAA4
ISIN CA30324RAA47
Bond Ratings
Moody's Aa2
DBRS AAA
Composite AA+
Issuance & Trading
Amt Issued/Outstanding
CAD 500,000.00 (M) /
CAD 500,000.00 (M)
Min Piece/Increment
150,000.00 / 1,000.00
Par Amount 1,000.00
Book Runner CIBC,RBCCM
Exchange NOT LISTED
Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2018 Bloomberg Finance L.P.
SN 745480 H365-2434-1 31-May-18 16:28:59 EDT GMT-4:00


GRAB
FRHYDR 3.52 05/15/38 Corp
Settings
Page 1/11
Security Description: Bond
94) Notes
95) Buy
96) Sell
25) Bond Description
26) Issuer Description
Pages
11) Bond Info
12) Addtl Info
13) Covenants
14) Guarantors
15) Bond Ratings
16) Identifiers
17) Exchanges
18) Inv Parties
19) Fees, Restrict
20) Schedules
21) Coupons
Quick Links
32) ALLQ Pricing
33) QRD Quote Recap
34) TDH Trade Hist
35) CACS Corp Action
36) CF Prospectus
37) CN Sec News
38) HDS Holders
39) VPRD Underly Info
66) Send Bond
Issuer Information
Name FAIR HYDRO TRUST
Industry Financial Services
Security Information
Mkt Iss Canadian
Country CA
Currency CAD
Rank Secured
Series 2
Coupon 3.520000
Type Fixed
Cpn Freq S/A
Day Cnt ACT/ACT
Iss Price 100.00200
Maturity 05/15/2038
MAKE WHOLE @26.500000 until 11/15/37/ CALL 1...
Iss Sprd +107.60bp vs CAN 5 06/01/37
Calc Type (48)CANADA:COMPND METH
Pricing Date 04/19/2018
Interest Accrual Date 04/24/2018
1st Settle Date 04/24/2018
1st Coupon Date 05/15/2018
Identifiers
ID Number AS3007752
CUSIP 30324RAB2
ISIN CA30324RAB20
Bond Ratings
Moody's Aa2
DBRS AAA
Composite AA+
Issuance & Trading
Amt Issued/Outstanding
CAD 400,000.00 (M) /
CAD 400,000.00 (M)
Min Piece/Increment
150,000.00 / 1,000.00
Par Amount 1,000.00
Book Runner CIBCWM,RBCDS
Exchange NOT LISTED
Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2018 Bloomberg Finance L.P.
SN 745480 H365-2434-0 31-May-18 16:28:31 EDT GMT-4:00

From: Shajee Kathirgamanathan
To: John Kim
Subject: FW: OPG senior debt
Date: Friday, June 01, 2018 10:13:39 AM

Here's the email to Carlos… didn't finish

Hi Carlos,

Thanks for this information below about the FHT debt.

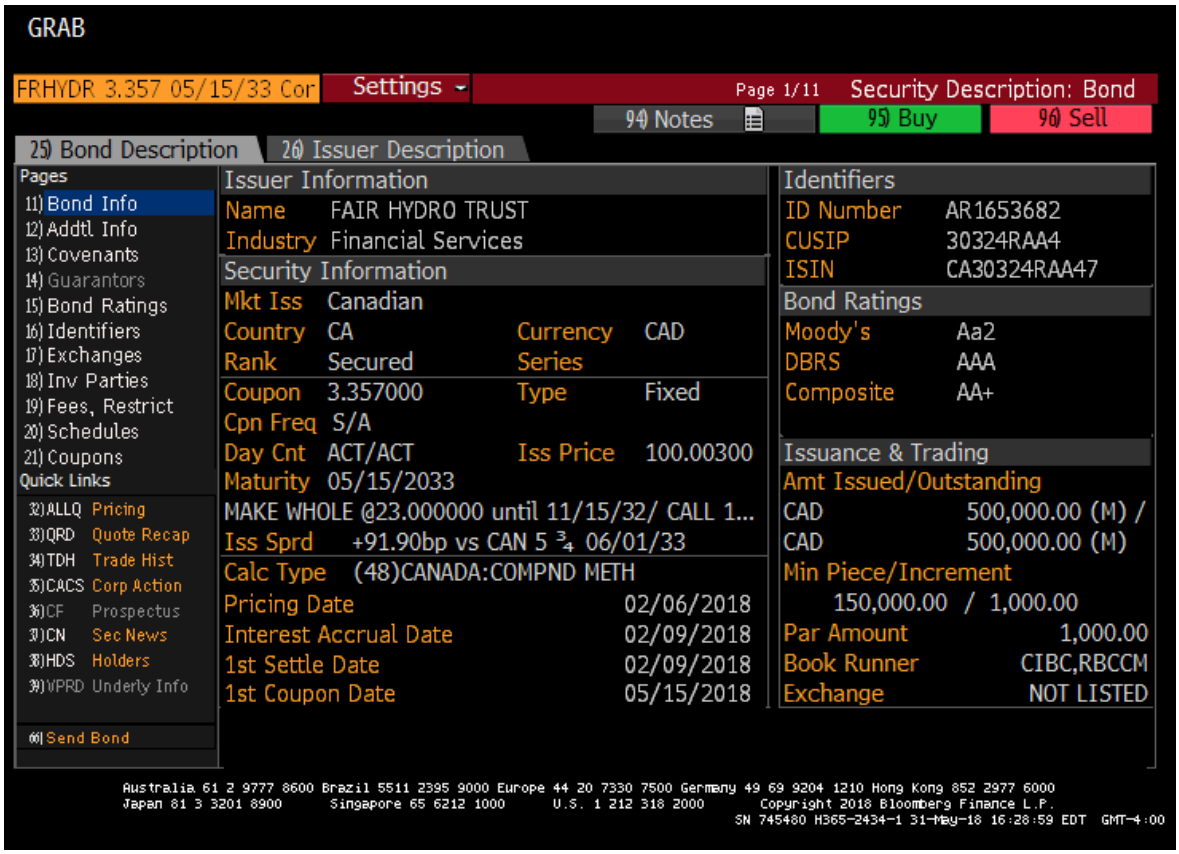
We noticed that the issue price for the Senior Debt was 100.003 and 100.002 for the Feb 6 and April 19 bonds respectively.

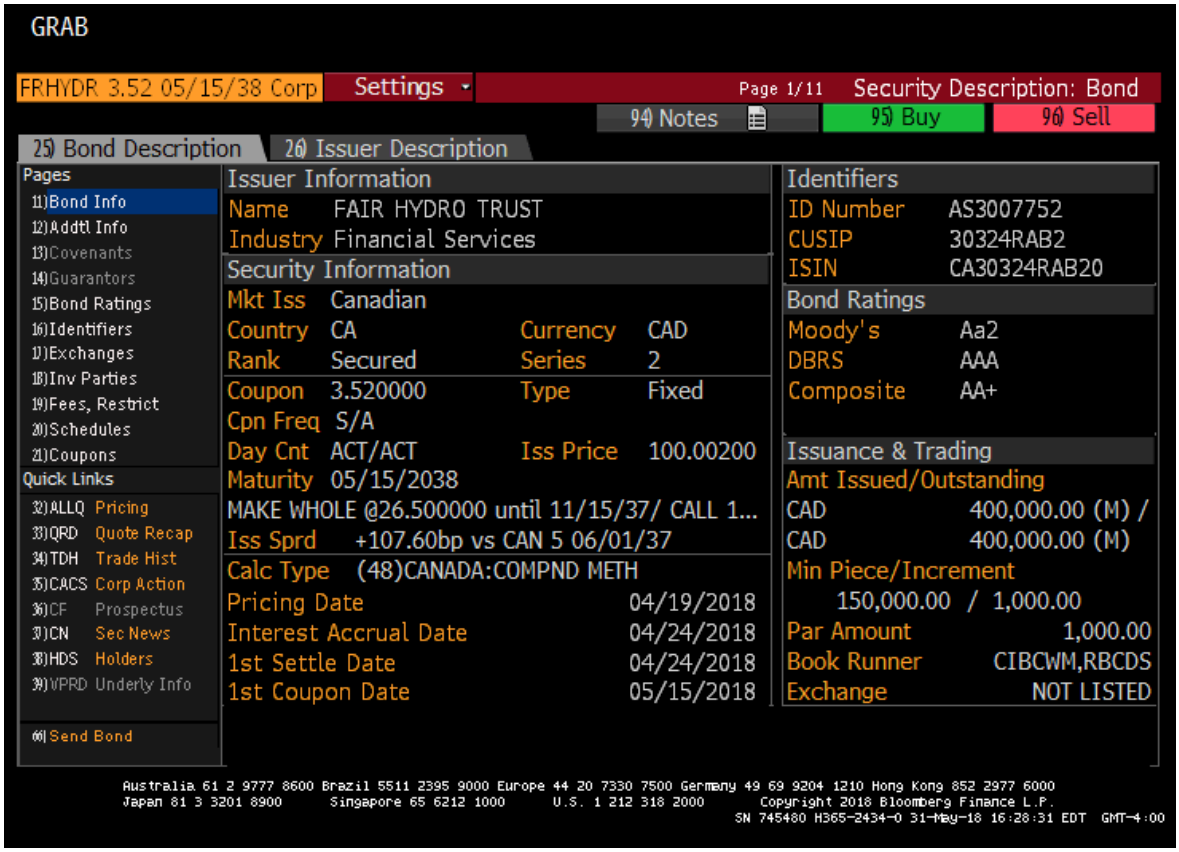
Just want to confirm if this is relevant for our assessment; we're trying to assess the interest rates with commission.

By my logic the if issue price were above 100.00, then the bonds were priced above par, sold at a premium and the actual yield would be less than the interest/coupon rate.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

> **From:** Carlos Yep <Carlos.Yep@ofina.on.ca>
> **Date:** May 31, 2018 at 4:36:02 PM EDT
> **To:** John Kim <John.Kim@ofina.on.ca>
> **Subject: RE: OPG senior debt**
>
> John,
> No, the commission was not included. Commission on the 2038 bonds was $0.55
>
> 15May2033 $500M 3.357% priced on 06Feb2018 at GoC2033 + 91.9
> 15may2038 $400M 3.520% priced on 19Apr2018 at GoC2037 + 107.6
>
> Regards
> Carlos
>
> -----Original Message-----
> From: John Kim
> Sent: Thursday, May 31, 2018 4:24 PM
> To: Carlos Yep <Carlos.Yep@ofina.on.ca>
> Subject: OPG senior debt
>
> Hi Carlos,
>
> On April 24 and in February when the senior debt was issued, we got the rates at which the notes were issued. Would you know if the rate would be inclusive of commission or if not what the commission would be?
>
> I am offsite so cannot chat.
>
> John
>
> Sent from my iPhone


GRAB
FRHYDR 3.357 05/15/33 Cor
Settings
Page 1/11
Security Description: Bond
94) Notes
95) Buy
96) Sell
25) Bond Description
26) Issuer Description
Pages
11) Bond Info
12) Addtl Info
13) Covenants
14) Guarantors
15) Bond Ratings
16) Identifiers
17) Exchanges
18) Inv Parties
19) Fees, Restrict
20) Schedules
21) Coupons
Quick Links
32) ALLQ Pricing
33) QRD Quote Recap
34) TDH Trade Hist
35) CACS Corp Action
36) CF Prospectus
37) CN Sec News
38) HDS Holders
39) VPRD Underly Info
66) Send Bond
Issuer Information
Name FAIR HYDRO TRUST
Industry Financial Services
Security Information
Mkt Iss Canadian
Country CA
Currency CAD
Rank Secured
Series
Coupon 3.357000
Type Fixed
Cpn Freq S/A
Day Cnt ACT/ACT
Iss Price 100.00300
Maturity 05/15/2033
MAKE WHOLE @23.000000 until 11/15/32/ CALL 1...
Iss Sprd +91.90bp vs CAN 5 3/4 06/01/33
Calc Type (48)CANADA:COMPND METH
Pricing Date 02/06/2018
Interest Accrual Date 02/09/2018
1st Settle Date 02/09/2018
1st Coupon Date 05/15/2018
Identifiers
ID Number AR1653682
CUSIP 30324RAA4
ISIN CA30324RAA47
Bond Ratings
Moody's Aa2
DBRS AAA
Composite AA+
Issuance & Trading
Amt Issued/Outstanding
CAD 500,000.00 (M) /
CAD 500,000.00 (M)
Min Piece/Increment
150,000.00 / 1,000.00
Par Amount 1,000.00
Book Runner CIBC,RBCCM
Exchange NOT LISTED
Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2018 Bloomberg Finance L.P.
SN 745480 H365-2434-1 31-May-18 16:28:59 EDT GMT-4:00


GRAB
FRHYDR 3.52 05/15/38 Corp
Settings
Page 1/11
Security Description: Bond
94) Notes
95) Buy
96) Sell
25) Bond Description
26) Issuer Description
Pages
11) Bond Info
12) Addtl Info
13) Covenants
14) Guarantors
15) Bond Ratings
16) Identifiers
17) Exchanges
18) Inv Parties
19) Fees, Restrict
20) Schedules
21) Coupons
Quick Links
32) ALLQ Pricing
33) QRD Quote Recap
34) TDH Trade Hist
35) CACS Corp Action
36) CF Prospectus
37) CN Sec News
38) HDS Holders
39) VPRD Underly Info
66) Send Bond
Issuer Information
Name FAIR HYDRO TRUST
Industry Financial Services
Security Information
Mkt Iss Canadian
Country CA
Currency CAD
Rank Secured
Series 2
Coupon 3.520000
Type Fixed
Cpn Freq S/A
Day Cnt ACT/ACT
Iss Price 100.00200
Maturity 05/15/2038
MAKE WHOLE @26.500000 until 11/15/37/ CALL 1...
Iss Sprd +107.60bp vs CAN 5 06/01/37
Calc Type (48)CANADA:COMPND METH
Pricing Date 04/19/2018
Interest Accrual Date 04/24/2018
1st Settle Date 04/24/2018
1st Coupon Date 05/15/2018
Identifiers
ID Number AS3007752
CUSIP 30324RAB2
ISIN CA30324RAB20
Bond Ratings
Moody's Aa2
DBRS AAA
Composite AA+
Issuance & Trading
Amt Issued/Outstanding
CAD 400,000.00 (M) /
CAD 400,000.00 (M)
Min Piece/Increment
150,000.00 / 1,000.00
Par Amount 1,000.00
Book Runner CIBCWM,RBCDS
Exchange NOT LISTED
Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2018 Bloomberg Finance L.P.
SN 745480 H365-2434-0 31-May-18 16:28:31 EDT GMT-4:00

From: John Kim
To: Ronald Kwan
Cc: Shajee Kathirgamanathan
Subject: FW: OPG senior debt
Date: Friday, June 01, 2018 1:14:20 PM
Attachments: Debt Funding - Tracking Sheet_v4_ForEnergy.xlsx

Hi Ron,

Pls. see attached now very detailed information. We will share with Energy shortly. We have a pretty good handle on things now.

Pls. let us know if you have any comments.

Thanks,

John

From: Carlos Yep
Sent: Friday, June 01, 2018 11:12 AM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: Re: OPG senior debt

Hi
That is almost par. So the coupon and yield are almost the same.
C

Sent from my iPhone

On Jun 1, 2018, at 10:16 AM, Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca> wrote:

> Hi Carlos,
>
> Thanks for this information below about the FHT debt.
>
> We noticed that the issue price for the Senior Debt was 100.003 and 100.002 for the Feb 6 and April 19 bonds respectively.
>
> Just want to confirm if this is relevant for our assessment; we're trying to assess the interest rates with commission.
>
> By my logic the if issue price were above 100.00, then the bonds were priced above par, sold at a premium and the actual yield would be less than the interest/coupon rate. Would this make sense?

Thanks,
Shajee

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Carlos Yep <Carlos.Yep@ofina.on.ca>
Date: May 31, 2018 at 4:36:02 PM EDT
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OPG senior debt

John,
No, the commission was not included. Commission on the 2038 bonds was $0.55

15May2033 $500M 3.357% priced on 06Feb2018 at GoC2033 + 91.9
15may2038 $400M 3.520% priced on 19Apr2018 at GoC2037 + 107.6

Regards
Carlos

-----Original Message-----
From: John Kim
Sent: Thursday, May 31, 2018 4:24 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: OPG senior debt

Hi Carlos,

On April 24 and in February when the senior debt was issued, we got the rates at which the notes were issued. Would you know if the rate would be inclusive of commission or if not what the commission would be?

I am offsite so cannot chat.

John

Sent from my iPhone

<sg2018053159339.gif>

<sg2018053159311.gif>

Summary:

Total Funding	Term Debt Takeout
Senior debt	900,000,000.00
Subordinated	688,235,000.00
Junior subordinated	176,471,000.00
Total	**1,764,706,000.00**

Fair Hydro Trust

Date Issued*	Fair Hydro Trust Debt Type*	Principal Amount* ($)	Coupon Rate*	Maturity Date*	Series Number*	Term to Maturity [Years]	Issue Price [per $100 Principal]*	Issue Discount/(Premium) [per $100 Principal]	Commission [per $100 Principal]*	Commission and Issue Discount/(Premium) [Per $100 Principal]	Commission and Issue Premium/Discount [semi-annual rate]	Yield at Issue (w/ Commission, w/ Discount/Premium)
February 9, 2018	Senior debt	500,000,000	3.357%	May 15, 2033	2018-1	15.27	100.003	(0.003)	0.500	0.497	0.042%	3.39887%
February 9, 2018	Subordinated	382,353,000	3.637%	May 15, 2033	2018-1	15.27	100.000	-	-	-	0.000%	3.63700%
February 9, 2018	Junior subordinated	98,040,000	3.957%	May 15, 2033	2018-1	15.27	100.000	-	-	-	0.000%	3.95700%
April 24, 2018	Senior debt	400,000,000	3.520%	May 15, 2038	2018-2	20.06	100.002	(0.002)	0.550	0.548	0.038%	3.55832%
April 24, 2018	Subordinated	305,882,000	3.834%	May 15, 2038	2018-2	20.06	100.000	-	-	-	0.000%	3.83400%
April 24, 2018	Junior subordinated	78,431,000	4.214%	May 15, 2038	2018-2	20.06	100.000	-	-	-	0.000%	4.21400%

Issuing Date	Weighted Average Coupon Rate	Weighted Average Yield at Issue
February 9, 2018	3.526%	3.548%
April 24, 2018	3.712%	3.731%
Total	**3.609%**	**3.629%**

Ontario Bond Yields

30 yr yields		Yields reflective of Debt's Maturity			
30yr**	30yr w/ Commission**	Debt Issue Maturity**	Ont Rate**	Ont Rate - w/ Commission**	Notes
3.23%	3.25%	15 year	3.10%	3.14%	Feb 9 Rate, Simple average between 10 and 20 year rates.
3.23%	3.26%	20 year	3.22%	3.25%	Apr 24 Rate

**Source: Fair Hydro Plan - Deliveries under Change of Law Process Agreement, February 8, 2018 and April 23, 2018.*

***Source: Corporate Finance Branch Interest Rate Snapshot based on ScotiaBank daily reports, semi-annual rate estimates. Commissions are for dealers, based on historical one-time estimate. Subject to revision. Excludes additional costs Province may charge for on lending purposes.*

From:	John Kim
To:	Ken Kandeepan; Carlos Yep
Cc:	Bruno Amara
Subject:	FW: Preferred equity treatment
Date:	Tuesday, May 02, 2017 1:10:57 PM
Attachments:	SP - Hybrid Capital Handbook 2008 Edition.pdf Preferred equity treatment.msg

Hi Ken, Carlos,

Members of EFB dug up some information which might be relevant.

Need more assessment but involving consolidated entities, the threshold may not apply.

I, for one, am not sure if the all the additional hybrid features are necessary but wanted to ensure we are informed. This may require a follow up question or two to the experts to confirm.

Thanks,

John

From: Salman Qadir
Sent: Tuesday, May 02, 2017 12:48 PM
To: Adam Prokop <Adam.Prokop@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Preferred equity treatment

Here is S&P's handbook – although there have been various amendments issued since 2008 that would need to be checked. It states the following but need to review in more detail:

Pg 33.
We include any hybrid capital issuance in excess of 15% in the numerator of our leverage calculations. We do not generally recognize hybrid issuance of operating companies (reflected also as hybrid capital in the relevant parent's consolidated financial statements) as such in our consolidated capital adequacy analysis (see table 4)

Salman

STANDARD & POOR'S RATINGS SERVICES
McGRAW HILL FINANCIAL

RatingsDirect®

Criteria | Insurance | General:

Hybrid Capital Handbook: September 2008 Edition

Financial Institutions Ratings:
Nik Khakee, New York (1) 212-438-2473; nik.khakee@standardandpoors.com

Corporates Ratings:
Peter Kernan, London (44) 20-7176-3618; peter.kernan@standardandpoors.com
Todd A Shipman, CFA, Boston (1) 617-530-8241; todd.shipman@standardandpoors.com
Thomas Jacquot, Sydney (61) 2-9255-9872; thomas.jacquot@standardandpoors.com
Takamasa Yamaoka, Tokyo (81) 3-4550-8719; takamasa_yamaoka@standardandpoors.com

Insurance Ratings:
Ron A Joas, CPA, New York (1) 212-438-3131; ron.joas@standardandpoors.com
Mark Button, London (44) 20-7176-7045; mark.button@standardandpoors.com

Financial Institutions Ratings and Insurance Ratings:
Michelle M Brennan, London (44) 20-7176-7205; michelle.brennan@standardandpoors.com
Emmanuel Dubois-Pelerin, Paris (33) 1-4420-6673; emmanuel.dubois-pelerin@standardandpoors.com

Table Of Contents

Working With Standard & Poor's On Hybrid Capital Matters

Equity Content: Guiding Principles

Equity Content: Ongoing Payments

Equity Content: Permanence

Equity Credit: Subordination/Cushion For Creditors In The Event Of Default

Equity Content Categories

Applying Hybrid Capital Equity Content Assessment In Credit Analysis

1407205 | 301135087

Table Of Contents (cont.)

Applying Hybrid Capital Equity Content Assessment In Credit Analysis: Corporate Methodology

Applying Hybrid Capital Equity Content Assessment In Credit Analysis: Financial Institutions Methodology (Excluding Insurance)

Applying Hybrid Capital Equity Content Assessment In Credit Analysis: Nonbank Financial Institutions Methodology

Applying Hybrid Capital Equity Content Assessment In Credit Analysis: Insurance Methodology

Issue Features

Issue Features: Optional Deferral

Issue Features: Mandatory Deferral

Issue Features: Maturities/Scheduled Maturities

Issue Features: Call Provisions

Issue Features: Step-Ups, Resets, Remarketing

Issue Features: Replacement Capital Covenants

Issue Features: Market Disruption Events (MDEs)

Issue Features: Dividend Stoppers, Look-Backs, And Pushers

Issue Features: Alternative Payment Mechanisms/Alternative Coupon-Settlement Mechanisms (APM/ACSM)

Issue Features: Conversion Into Common Stock And Share Settlement

Rating The Issue

Rating The Issue: Subordination

Rating The Issue: Deferral

Rating The Issue: Factoring Payment Risk Into Issue Ratings

Rating The Issue: Default And Distress

Rating The Issue : Government Support

Rating The Issue: The Rating Approach To PIK Debt

Table Of Contents (cont.)

Rating The Issue: Equity Unit Ratings

How Have Hybrid Capital Issues Performed?

Appendix

Criteria | Insurance | General:

Hybrid Capital Handbook: September 2008 Edition

*(**Editor's Note:** This criteria article was originally published on May 12, 2008. We are republishing this article following our periodic review completed on March 30, 2015.*

This article supersedes the articles "Issuing Equity Hybrids Via A Corporate Issuer's Operating Subsidiaries," published on July 26, 2007, and "Flexible Gapping Of Ratings Reflects Regional Variations In Structural Subordination As Well As Differing Debt-Servicing Capacities," published on May 25, 2005. This article also partially supersedes "Holding Company Analysis," published June 11, 2009.

This article has been partially superseded. Table 4a has been superseded by table 3 of "Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model," published June 7, 2010. The section titled "Issue Features: Dividend Stoppers, Look-Backs, And Pushers" has been superseded by the article titled, "Methodology: Hybrid Capital Issue Features: Update On Dividend Stoppers, Look-Backs, And Pushers," published on Feb. 10, 2010. The article titled, "Bank Hybrid Capital Methodology And Assumptions," published on Nov. 1, 2011, has partially superseded references to financial institutions; it has itself been fully superseded by the article with the same title, published Jan. 29, 2015. The article titled "Methodology And Assumptions: Assigning Equity Content To Corporate Entity And North American Insurance Holding Company Hybrid Capital Instruments," published on April 1, 2013, supersedes references to "high" equity content for corporate issuers and certain North American insurance holding company issuers, and also amends references to the role of management intent. The section below, titled "Rating The Issue: Default And Distress," has been superseded by "Use Of 'C' And 'D' Issue Credit Ratings For Hybrid Capital And Payment-In-Kind Instruments," published Oct. 24, 2013. The section titled "Corporate methodology: Leveraged buy-out equity hybrids: Too good to be true" has been superseded by "The Treatment Of Non-Common Equity Financing In Nonfinancial Corporate Entities," published April 29, 2014.)

Financing with common stock (i.e., common shares) is the best alternative from the perspective of an issuer's credit quality. Common stock has no maturity. If dividends are paid at all, they are discretionary--at least for most types of entities, in most countries. Moreover, common stock is subordinated to all the company's debt obligations and other liabilities. Yet, common stock is expensive in the eyes of issuers, since dividends are generally not tax deductible. Also, stockholders, as owners, have full participation in the company's upside, and issuing common stock dilutes existing shareholders' ownership interest.

Hybrid capital instruments have been developed with the goal of gaining recognition as being equity-like—that is, being granted "equity content" by Standard & Poor's Ratings Services and by other rating agencies--and, in some cases, being treated as capital by regulators. At the same time, these instruments are generally more cost-effective (e.g., by being tax deductible) than common stock, and typically do not affect the earnings-per-share denominator.

In assessing equity content, we pay close attention to the instrument's individual features. Ultimately, though, we take a holistic approach, considering the overall effect of the issue on the issuer's credit profile. In some cases, the issue's strengths can offset its weaknesses.

In assessing equity content, we use a common analytical framework across all sectors and geographic regions, categorizing equity content as "high," "intermediate," or "minimal" based on guidelines we have developed. We have a somewhat different perspective on issues of investment-grade issuers as compared to speculative-grade issuers, given

differences in the relevant time frame and other pertinent rating considerations. Importantly, we always take account of the issuer's particular circumstances, including management's financial policies. In assessing the credit implications of any actual transaction, issuer-specific considerations can always trump any generalized conclusions we might reach about an instrument.

Inevitably, across different sectors, there are varying approaches to incorporating conclusions reached about the instrument into the quantitative analysis, given differences in financial characteristics and measures. In any case, ratios tell only part of the story.

In assessing an instrument's equity content, we try to look past form, and focus on the economic substance. The past few years have seen a proliferation of instrument types and features. Some issues, in seeking to meet the varying preferences of different constituents, have become exceedingly complex. From our perspective, complexity often detracts from equity content: As it becomes more and more difficult to fathom how matters could play out under different scenarios, the potential for unintended consequences increases. Once there is a longer track record with such structures, our comfort level could grow.

In determining an issuer credit rating (ICR), the utilization of hybrid capital is just one of many factors that need to be considered. In fact, it is rare for this one factor in and of itself to be critically significant to the ICR outcome.

In their most common forms, hybrid capital instruments afford equity benefit to issuers, in part, by having ongoing payment requirements that are more flexible than interest payments associated with nondeferrable senior debt, and by being contractually subordinated to such debt. Obviously, these characteristics make the instruments more risky for investors than nondeferrable debt. In assigning issue ratings to equity hybrids, we seek to reflect the incremental risks associated with the issue in terms of payment timeliness and principal recovery compared to nondeferrable debt. We typically reflect these risks in our issue ratings on equity hybrids by assigning them ratings that are lower than those on nondeferrable debt.

We continually reassess our hybrid capital criteria as instrument structuring innovations and other market developments warrant. Please check RatingsDirect for subsequent criteria updates.

Working With Standard & Poor's On Hybrid Capital Matters

We formed our New Instruments Committee (NIC) in early 2006, primarily to centralize our criteria-setting with respect to hybrid capital-related matters. The NIC is comprised of senior analysts across all relevant sectors and regions. Analysts closely involved in our hybrid capital criteria development activities are listed in table 1.

Table 1

Hybrid Capital Criteria Analysts

Analyst	Location	Telephone	Email	Sector
Vincent Allilaire**	London	(44) 20-7176-3628	vincent_allilaire@standardandpoors.com	Corporates
David Anthony**	London	(44) 20-7176-7010	david_anthony@standardandpoors.com	Insurance
Angelica Bala**	Mexico City	(52) 55-5081-4405	Angelica_Bala@standardandpoors.com	Financial Institutions
Michelle Brennan*	London	(44) 20-7176-7205	michelle_brennan@standardandpoors.com	Financial Institutions

Table 1

Hybrid Capital Criteria Analysts (cont.)				
Scott Bugie*	Paris	(33) 1-4420-6680	scott_bugie@standardandpoors.com	Financial Institutions
Mark Button**	London	(44) 20-7176-7045	mark_button@standardandpoors.com	Insurance
Terry Chan*	Melbourne	(61) 3-9631-2174	terry_chan@standardandpoors.com	Financial Institutions
Paul Draffin*	Melbourne	(61) 3-9631-2122	paul_draffin@standardandpoors.com	Corporates
Emmanuel Dubois-Pelerin*	Paris	(33) 1-4420-6673	emmanuel_dubois-pelerin@standardandpoors.com	Corporates
Gail I. Hessol*	New York	(1) 212-438-6606	gail_hessol@standardandpoors.com	(general)
Rob Jones*	London	(44) 20-7176-7041	rob_jones@standardandpoors.com	Insurance
David A. Kaplan*	New York	(1) 212-438-5649	david_a_kaplan@standardandpoors.com	(general)
Rosaleen Manzi**, Esq.	New York	(1) 212-438-6609	rosaleen_manzi@standardandpoors.com	Legal
Curt Moulton*	New York	(1) 212-438-2064	curt_moulton@standardandpoors.com	(general)
Solomon B Samson*	New York	(1) 212-438-7653	sol_samson@standardandpoors.com	Corporates
Jacob L Schlanger*	New York	(1) 212-438-7238	jacob_schlanger@standardandpoors.com	Insurance
Scott Sprinzen*	New York	(1) 212-438-7812	scott_sprinzen@standardandpoors.com	Financial Institutions
Calvin R Wong**	New York	(1) 212-438-7495	calvin_wong@standardandpoors.com	Structured
Takamasa Yamaoka*	Tokyo	(81) 3-4550-8719	takamasa_yamaoka@standardandpoors.com	(general)

*New Instruments Committee member. **New Instruments Committee adjunct member.

Anyone with questions about our hybrid capital criteria should feel free to contact any of the individuals listed. In addition, the NIC offers feedback to investment bankers and issuers who are developing new instrument structures. We provide a preliminary and generic assessment of the equity content, and the notching that would be applied in rating the issue, on a confidential basis. Such feedback is subject to our review of the final terms and conditions of the issue, if there is an actual transaction, as well as to consideration of issuer-specific factors.

To have a new structure assessed, investment bankers and issuers should contact any of the individuals listed. It facilitates the discussion if the instrument is described in the form of an indicative term sheet. The NIC seeks to provide feedback expeditiously. The NIC routinely meets twice per month, but additional meetings can generally be convened to address pending priority matters, as necessary. In the overwhelming majority of cases, we communicate our conclusions informally; however, we provide formal, written feedback in certain circumstances, as appropriate. If an issuer is proposing an issue of a structure for which close precedents already exist, it is most efficient to contact the primary analyst responsible for the issuer, or others on the coverage team. Members of the NIC will be involved, as necessary, in assisting with the review of the instrument terms and to ensure the consistent application of criteria.

If the issuer is contemplating financing strategies involving issuance of different hybrid capital instruments, and wants to have definitive formal feedback regarding the potential rating ramifications, this exercise lends itself to our Rating Evaluation Service. The issuer can obtain information about this service by contacting their respective Client Business Manager or the following regional contacts:

- North America: Terrence Streicher, VP-Rating Evaluation Service Product Manager; New York; (1) 212-438-7196; terrence_streicher@standardandpoors.com
- Europe, Middle East, Africa: Ian Byrne, Director, Commercial & Product Management; London; (44) 0-207-176-3633; ian_byrne@standardandpoors.com
- Asia-Pacific: Denis O'Sullivan, Vice President, Client Relationship Group Asia Pacific; Hong Kong; (852) 2533-3522;

denis_osullivan@standardandpoors.com

Equity Content: Guiding Principles

What constitutes equity in the first place? Traditional common stock--the paradigm equity instrument--sets the standard. But equity is not a monolithic concept; rather, it has several positive characteristics:

- Equity requires no ongoing payments that could lead to default;
- It has no maturity or repayment requirement, and is expected to remain as a permanent feature of the enterprise's capital structure; and
- It provides a cushion for creditors in case of bankruptcy.

Equity hybrids possess some--or all--of these characteristics to some degree. Yet, because equity has these several defining attributes, a specific security can have a mixed impact. Hybrid securities, by their very nature, can be equity-like in some respects and debt-like in others. Moreover, the specific features may provide the positive characteristic only to a limited extent.

In any event, the security's economic impact is most relevant; its nomenclature is a secondary consideration. A transaction labeled debt for accounting or tax purposes may still be viewed as equity for rating purposes, and vice versa.

In the case of regulated banks and insurance companies, aside from our own analytical views about the characteristics of a given hybrid capital instrument, we must also take account of the regulators' views. Indeed, this can be a key consideration. In many jurisdictions regulators have the authority and power to intervene in the operations of a bank or insurance company, and they determine whether to do so based, in part, on their own assessment of capital adequacy. Regulators' capital policies strongly influence bank hybrid capital issues' terms--and this is increasingly the case in insurers' issues. Not only will the structure of a hybrid instrument be influenced by regulatory treatment, but the redemption of hybrid capital instruments typically is also subject to regulatory review. Regulators can intervene to enforce the suspension or nonpayment of hybrid coupon payments, restrict the amount of hybrids that an entity can issue, and require any redeemed hybrid to be replaced with an instrument of equivalent equity content. Thus, as explained below, our analytical assessment of regulated issuers' hybrid capital instruments is typically anchored in the regulator treatment.

Equity Content: Ongoing Payments

A company generally pays dividends on its common stock only at its discretion: There is no fixed requirement to do so that could lead to default and bankruptcy if the common dividend were cut or eliminated.

In practice, though, once a company has established a record of paying a common dividend, it will be loath to reduce the payment, given management's likely concerns about capital markets perceptions. Common dividend reductions are seen as a signal that the company's prospects are clouded, and market perception can be a powerful consideration in management's decision making. As a consequence, some distressed companies continue paying their common

dividends, even though they arguably have more pressing uses for the cash. In this way, the common dividend can act like a fixed charge, draining the company, over time, of funds needed to bolster operations. Yet, whatever the pressure to pay common dividends, the company always retains some discretion, whatever the pressure to pay common dividends.

Most types of hybrid capital instruments have a stated dividend or coupon rate, but the payment either may be deferred or forgone at the discretion of management or a regulator, or must be deferred or forgone with the breach of a predefined trigger, or both. We assume that management or a regulator would always have greater reluctance to pass on the hybrid payment than to reduce or eliminate the common dividend. This is the hybrid capital market's clear expectation, as reflected in issue pricing, and borne out by historical experience. Accordingly, this distinguishes hybrid capital issues from common equity, in terms of the benefit to the issuer.

The longer a company can defer or skip payments, the better. An open-ended ability to defer or skip payments until financial health is restored is optimal. As a practical matter, the ability to forgo payments for up to five years or so is most critical in helping to prevent a general default. If the company cannot restore financial health in five years, it probably never will.

In addition, the fewer restrictions imposed on the company's ability to defer or forgo payments, the better. For example, some issues include a "look-back" provision under which the company can only defer or forgo payments after some minimum period of time has elapsed since the last common dividend was paid. In other instances, there is a requirement—for example, under the corporate charter or the national corporate legal framework-–that any dividend changes be approved at the annual shareholders' meeting. Or there may be other preconditions that must be satisfied, such as the breach of certain financial tests. With any such restrictions, the company's ability to react to worsening circumstances by deferring or forgoing payments can be considerably hampered, and so such features undermine equity content. (See section "Issue Features: Dividend Stoppers, Look-Backs, And Pushers.") (Note: It is typical for a hybrid capital issue to include a so-called "common dividend stopper"--a provision under which the company is prohibited from paying common dividends while it is deferring or forgoing hybrid issue payments. We generally view such a stipulation as a neutral factor from a credit perspective. On the one hand, eliminating both the common dividend and the hybrid payment together maximizes the overall cash conserved. On the other hand, the link between the two may increase the reluctance of the issuer to forgo paying on the hybrid. Thus, a common dividend stopper is not essential to our assessment of the equity content afforded the hybrid issue.)

In the case of hybrid capital issues with optional deferral provisions, we are generally indifferent to the choice between instruments with cumulative payments (which, when deferred, still accrue, and ultimately must be made up) and noncumulative payments (where there is no obligation to address missed payments). With noncumulative instruments, it may be easier for the issuer to recover after deferring, since there is no arrearage to be repaid. However, given the more severe consequences for investors, the company may be somewhat more reluctant to forgo payments on noncumulative instruments in the first place.

Naturally, any instrument feature that discourages the issuer from exercising the right to defer optionally is detrimental to equity content. This is one of the key aspects that we analyze when we assess hybrid capital securities' equity content. Such features include:

- Penalty rates. In the case of cumulative issues, if deferred payments accrue at a rate that is higher than the normal payment rate, we view this as clearly intended to discourage deferral.
- Alternative payment mechanisms (a.k.a., alternative coupon settlement mechanisms; see section "Issue Features: Alternative Payment Mechanisms/Alternative Coupon Settlement Mechanisms (APM/ACSM)"). In the case of some cumulative issues, the company must issue stock--common or preferred--once it has deferred for a certain period of time. If this requirement only becomes effective after five years of deferring, we don't view this as a significant negative. When management (or a regulator) is first weighing the decision to defer, this limitation is unlikely to be a significant consideration. However, if the requirement becomes effective earlier—especially if it is only after one or two years--companies might well want to avoid such a requirement, and so be even more reluctant than usual to defer in the first place.
- Nomenclature. In some cases, instruments with virtually identical credit features can be variously defined as debt or preferred stock. Although the distinction may be only one of nomenclature, we believe the identification of a security as debt constrains the company's practical discretion to defer payments, given the greater "headline risk" that may be associated with deferring payments on the debt form of the security. However, this does not necessarily preclude the instrument being viewed as having significant equity content if there are other mitigating features.

Finally, various case-specific considerations can enter into the assessment of payment flexibility. Other things being equal, a company with heavy ongoing funding requirements-–and hence a need to access the capital markets regularly—might be more reluctant than others to pass on making payments for fear of the capital markets' reaction. Such a company's regulator could well have the same reservations. Also, if the amount of cash that would be conserved is small relative to the company's near-term cash requirements, the company might rationally chose not to defer or forgo payments, since little would be gained from doing so.

By removing the discretionary element, mandatory trigger mechanisms can increase confidence that payments will be deferred or forgone when the issuer's circumstances make this desirable from the creditors' perspective. (Historically, income bonds--i.e., where interest payment is contingent on achieving a certain level of earnings--were designed with this in mind. However, to the extent that cash flow diverges from earnings measures, income bonds tend to be imperfect instruments.) The equity content of such instruments is significantly influenced by the trigger levels used to determine when payments are eliminated. For example, if the level of cash flow that triggers payment curtailment is relatively low, reducing the likelihood of deferral, that instrument does not support high ratings. Credit quality might already have deteriorated drastically before the trigger would be breached. Conversely, though, if the trigger level is set close to the expected performance level, and at a level where the company is still very strong, we would have to consider the headline risk that forced deferral might pose.

A different mandatory approach entails linking interest payments to the company's common dividend, creating a common equity-mimicking bond. (A number of international financial institutions issued such bonds in the late 1980s.) Of course, a company having an inordinate amount of dividend-linked issues outstanding could ultimately be reluctant to curtail its common dividend.

Equity Content: Permanence

Capital should be sufficiently permanent that it is available to preserve cash and absorb losses when needed. Obviously, retaining funds in perpetuity offers the company the greatest flexibility. Extremely long maturities are next

best. Accordingly, 100-year bonds possess an equity feature in this respect (and only in this respect) until they get much nearer their maturity. (To illustrate the point, consider how much, or how little, the company would have to set aside today to defease or handle the eventual maturity.) However, in 100-year bonds, interest payments are not deferrable and cross-default provisions could lead to these bonds being accelerated.

Hybrid capital issues usually come with a maturity. Having a limited life is a clear shortcoming in terms of equity permanence. If the maturity happened to coincide with a period of stress for the issuer, the need to refinance could add to financial pressures. Even if we expect the issue to be refinanced successfully at maturity, the potential for using debt in the refinancing would concern us.

As a practical matter, we view an issue with a remaining time to maturity of 20 years (15 years for 'BB' rated issuers and 10 years for 'B' rated issuers) as sufficient to support credit quality. However, even 20 years is a very long time for many issuers and investors. Different features have been introduced that further limit the likely life of the issue--and thereby constrain the extent of the equity content the issue affords.

Thus, the ability to call always gives reason for pause (see section "Issue Features: Call Provisions"). Will the issue remain outstanding beyond the call date? It is common for hybrid capital issues to be callable, either starting on a certain date and continuing for a defined period (often referred to as an "American-style" call) or on certain specified, discrete dates (i.e., "European-style" call). Calls exercisable after five years are the most common in certain markets, and we would question the rationale for an issuer including a call date sooner than five years after issuance. We have not placed much emphasis on call features as limiting equity content—that is, if we believe the issuer has good reasons for maintaining hybrid capital in its capital structure (e.g., to meet regulatory capital requirements, or because the issue is tax deductible and therefore is a cost-effective form of funding). Indeed, call provisions can even be beneficial from a credit perspective, because they afford the issuer the opportunity to refinance the issue at more favorable rates, market conditions permitting. Moreover, in many instances, the issuer could repurchase the issue on the open market or through a tender offer, even in the absence of a call provision.

Where an issue contains a call provision, the issuer has the option to redeem the issue, but no obligation to do so. Thus, in our assessment of equity content, we don't generally penalize instruments with call provisions, unless, in the case of unregulated issuers, the initial call date is less than five years after issuance—which heightens our skepticism about the issuer's intentions with respect to the issue. We may also be concerned when the issue is only callable on discrete dates followed by a long noncall period. Where an issuer is regulated and we believe the regulator will ensure that any refinancing would not be credit-harming, we do not penalize issues with call dates earlier than five years. (See section "Issue Features: Call Provisions.")

In recent years, more hybrid capital securities have included terms whereby the issuer has the right to call the instrument at par on the same future date that the coupon rate increases, or steps up, by a preset amount. Step-ups (and similar penalty-rate provisions) question the permanence of issues that incorporate them, and so undermine the equity content of a hybrid capital security (see section "Issue Features: Step-Ups, Resets, Remarketing"). The call and step-up are expressly designed to prompt issuers to retire the issue. Moreover, in certain circumstances, the issuer could incur significant reputational fallout if it did not call. Indeed, investors strongly rely on step-up provisions to incentivize a call. We view these types of hybrid capital instruments as a form of long-term capital if:

- The amount of the step-up is limited, such that if the issuer chose, for whatever reason, not to refinance the issue, it would not be burdened by onerous financing costs; and
- There is a high degree of assurance that if the issue were called, it would be replaced with another issue warranting an equal or higher degree of equity content.

We see no need for any replacement provision (legally enforceable or otherwise) if the issue does not have a step-up, even if the issuer has call rights. The issuer's option to retire hybrid capital issues is similar to its option to repurchase common equity. But, if a hybrid issue has a significant step-up or a discrete call followed by five or more years during which it is not callable, we presume the issue will be called--either at the time of the step-up/discrete call or before it. The presumed temporary nature of the issue begs the question of how it will be replaced. Legally binding replacement language reinforces the permanency of the capital raised by rendering replacement highly likely, particularly when the issuer would need the capital to maintain its creditworthiness. In our view, mere expression of intent regarding replacement is insufficient when there is a workable alternative that more strongly enforces the permanence of the equity. To be sure, legally enforceable replacement capital covenants (RCCs) can pose their own problems--especially those that are complex or unduly restrict a company's future choices (see section "Issue Features: Replacement Capital Covenants"). But we view RCCs as the lesser of two evils. RCCs offset the clear motivation to call and retire the hybrid security created by the step-up, and reestablish sufficient permanence to allow the security "intermediate" or "high" equity content under Standard & Poor's methodology. We believe that legally binding RCCs can be crafted to introduce flexibility and thus render them more acceptable to issuers.

At any time, a company can choose either to repurchase equity or to issue additional shares. However, some securities are more prone to being temporary than others. Our analysis tries to be pragmatic, looking for insights as to what may ultimately occur. For example, auction-rate or remarketed preferred stock is designed for easy redemption. Even though the terms of this type of preferred provide for its being perpetual, failed auctions or lowered ratings typically prompt the issuer to repurchase the shares. (They are sold as commercial paper equivalents, which heightens the potential for failed auctions if credit quality ever falls to 'A-3'--or even 'A-2'--levels, or if market conditions deteriorate. Although the company has no legal obligation to repurchase the paper--i.e., the last holder could be left with this "perpetual" security--the issuer sometimes bows to market pressures and chooses to repurchase the preferred. Accordingly, such frequently remarketed preferreds are treated as debt.)

Another important consideration is the issuer's tax-paying posture. It may be difficult for an issuer that is currently not paying taxes to assert that it will continue to finance with nontax-deductible preferred stock once it becomes a taxpayer, and that it can lower its capital cost by replacing the preferred with debt.

Other clues can come from who invests in the issue (e.g., money market, as opposed to long-term fixed-income investors) and the mode of financing that is typical of the company's peer group. For example, U.S. utilities traditionally finance with preferred stock, and industry regulators are comfortable with it; therefore, the usual concern that limited-life preferred stock will be refinanced with debt is less of an issue for utilities.

There is always the risk that tax-deductible instruments' favorable tax status could be overturned by tax authorities, or through legislative changes. If we had particular concerns about the continuation of favorable tax treatment, and loss of tax deductibility would make the economics unfavorable for the issuer, we would have significant reservations about

viewing the instrument as permanent, unless we had reason to believe that the issue would be refinanced in another equity-like form.

In assessing any issuance's degree of permanence, management intent is always an important consideration. Through discussion of financial policy with senior management, we seek insight into potential future retirement and replacement of hybrids. We also take into account a company's track record in this regard. We always must be aware that management intent can become diluted over time—for example, as there are changes in management.

Equity Credit: Subordination/Cushion For Creditors In The Event Of Default

What happens in bankruptcy also pertains to the avoidance of bankruptcy and default, albeit indirectly. That is, companies' access to debt capital depends on providers feeling secure about the ultimate recovery of their loans in the event of a default. Debt-holders' claims have priority in bankruptcy, while equity holders are relegated to a residual claim on the assets. The protective cushion created by such equity subordination can facilitate the company's access to capital, helping enable it to stave off a default in the first place. (In the case of some European bank, insurance, and corporate issues, mechanisms exist that can result in loss absorption outside of bankruptcy or reorganization by reducing the principal owed to investors—for example, following the recording of a net loss, when directed by the regulator.)

Regulators virtually always insist that instruments be subordinated to qualify for capital treatment. Apart from this consideration, in our framework subordination typically is a secondary factor compared with other beneficial aspects of equity, although lack of subordination would always weigh somewhat on equity content. Thus, if an instrument is senior, but ongoing payments are deferrable and it has a long-dated maturity, we could well view it as having meaningful equity content. On the other hand, if an instrument is subordinated, but lacks the other equity-like traits, it would be viewed as predominantly debt-like.

The distinction between subordination and deep subordination generally is not significant in our analysis, although deep subordination incrementally is somewhat more supportive of credit quality. However, many U.S. securities--to meet IRS guidelines for tax deductibility--may be termed subordinated while providing pari passu status to trade creditors. This is a shortcoming--albeit not one that we view as significant.

Equity Content Categories

To facilitate our analysis, we classify qualifying hybrid capital issues into three categories, based on our assessment of their equity content: "high," "intermediate," and "minimal." In our financial institutions practice (excluding insurance), where matters pertaining to quality of capital assume particular importance, we further distinguish between "intermediate-strong" and "intermediate-adequate." As discussed more fully in the section "Applying Hybrid Capital Equity Content Assessment In Credit Analysis: Financial Institutions Methodology (Excluding Insurance)," for regulated U.S. financial institutions, we only give equity credit to issues that qualify for Tier 1 regulatory capital treatment.

"High" equity content

"High" equity content hybrids have very strong equity-like characteristics. They include features that help protect credit quality near the current level, and if they substitute for plain vanilla debt, they improve the overall quality of the issuer's capitalization. Investors in "high" issues typically bear equity-like risk, and we would expect the value of such instruments to have a high correlation with the value of equity.

We have identified three potential types of "high" equity content instruments:

- The issue converts mandatorily to common equity within a fairly short time horizon;
- The issue has a coupon or dividend that varies directly with changes in the common stock dividend or with earnings or cash flow; or
- The issue is mandatorily deferrable upon the breach of financial triggers or rating triggers that are set close to the expected performance level/existing rating level.

"High" equity content due to mandatory convertibility. "High" mandatorily convertible issues provide for the deferred, but mandatory, issuance of common stock, while raising proceeds immediately. (See section "Issue Features: Conversion Into Common Stock.") There are several varieties of this structure, including instruments that convert directly into common stock and units comprised of a contract providing for the forward sale of common stock, coupled with an initial security with a maturity or call date that may or may not match the common stock issuance date under the forward contract. In either case, the instrument initially takes the form either of preferred stock, with optional deferability of payments, or debt, with fixed payments. (Naturally, we view the former form somewhat more favorably from a credit perspective. In the bank sector, regulators require that the initial instrument qualify as Tier 1 capital.)

To meet our standard for "high" equity content (indeed, to be viewed as having any equity content), investment-grade issuers must issue common stock within no more than approximately three years (issuers with issuer credit ratings in the 'BB' category must issue within two years; issuers with issuer credit ratings in the 'B' category must issue within one year).

Also, the security must include a conversion price floor, and this floor must be no less than the common share price at the time of initial issuance. For example, if the stock price is $50 per share when the convert is issued (a $1,000 note is equivalent to 20 shares), at conversion the note may not be convertible into more than 20 shares, regardless of the then-current stock price. Importantly, for us to believe that such an issue warrants "high" equity content, we must be convinced that the company will be sufficiently satisfied with the outcome of common stock issuance that it will not reverse the result with share repurchases. While necessarily arbitrary, the maximum three-year time frame and presence of a floor price are essential, in our view, to warrant equity content. We believe management's assurances today about their willingness to issue common stock in the future inevitably have little credibility beyond the three-year time period. Moreover, while it's reasonable that a company would want to retain some upside in ultimately being able to issue fewer common shares if the share price appreciates, if the conversion ratio were fully variable or required the issuance of shares at a price significantly discounted compared to the Day 1 share price (like the RHINOs issued a number of years ago), the dilution would increase as the company's share price declined, testing management's resolve at the very time when enhancement of the capital base might be most needed. (Although we generally view longer dated mandatorily convertible issues as debt-like due to the long time to conversion, these may be reclassified as "high" when the remaining period to mandatory conversion falls to within three years or less, depending on our then-understanding of management's intentions.)

In the case of mandatorily convertible instruments, where the interim issue converts directly into common stock, or where, in the unit version, the initial issue matures at the same time as the receipt of the common stock proceeds, no other security remains outstanding once the common stock issuance has occurred. In contrast, in the mismatched version of the unit structure, the initial security survives the common stock issuance, and the common stock issuance results in the company raising a second set of proceeds. Although the company will then possess cash that could be used to repay debt, we would not automatically net such cash against debt; rather, we would account for the debt and equity components separately at the outset. However, the issuer can often make the case that it will actually use the second set of proceeds (that is, the equity proceeds) to pay down debt immediately and permanently. Such debt reduction could apply to a debt maturity that coincides with the equity issuance--or to short-term debt (such as commercial paper), assuming the company carries a sufficient permanent layer of such debt. In these instances, we adopt a "net" approach, which leaves the company with only the common equity proceeds. (Note: In corporates [as opposed to financial institutions] where equity content leads to an adjustment of interest expense in coverage ratios, the treatment of ongoing payments in the initial preconversion period are treated as if they were common dividends.) In any event, the company can receive recognition for the deferred equity issuance in leverage ratios, even if we view the interim issue as debt-like.

"High" equity content through linkage to common shares. In theory, an instrument could also achieve the "high" designation by mimicking some of the characteristics of common stock–-by being perpetual (or at least with a remaining life of 20 years or more) and subordinated (albeit senior to common stock), and having interest or dividend payments that are tied directly to the common stock dividend. It is acceptable for "high" equity content if the distribution is tied to the common dividend only within a certain range, with some small portion of the payment being fixed. (We would not be concerned about a ceiling on the payout.) Of course, if such an issue were sufficiently material, it could become a significant disincentive for the company to cut its common dividend. In practice, though, there seems to have been very little issuer interest in such an approach, or in issues where the payment is tied to some other indicator of financial health, such as earnings or cash flow.

"High" equity content due to mandatory deferrability. Finally, the equity content we attribute to hybrid capital issues that rely on optional deferral is constrained by our assumption that managements (and regulators, where relevant) will always be loathe to utilize the option to defer or forgo payments--perhaps until it is too late for the deferral to make any difference to the company. By removing the discretionary aspect, issues with mandatory deferral triggers can potentially achieve "high" equity content (see section "Issue Features: Mandatory Deferral"). Mandatorily deferrable securities that would warrant "high" equity content recognition would entail the following features.

High thresholds. The mere existence of a mandatory deferral provision is meaningless. Everything depends on the thresholds that define the deferral trigger. To illustrate: If the trigger for nonpayment is 10 years of losing money, that provision is virtually worthless. The company would probably have defaulted prior to the deferral provision going into effect. To be included in the "high" equity category, an instrument's trigger must go into effect at a level relatively close to the current credit profile of the issuer. One approach is to use a rating trigger. To qualify for "high" equity content, the trigger must be set at a level within three notches of the initial rating level. A threshold defined in terms of crossing over to noninvestment grade does not suffice--unless, of course, the issuer credit rating happens to be within three notches of that level. A variety of financial benchmarks can also serve as a proxy for the appropriate threshold level. These always need to be crafted to fit the specific issuer's context. In any event, we need to be mindful that a single ratio cannot entirely be relied upon to capture all of the business and financial changes the credit may have undergone

by the time the trigger activates. As noted below, we do not view this type of issue as warranting "high" equity content if the issuer is confidence-sensitive, or if the trigger could be breached when the issuer is still investment grade because risks outweigh the intended benefits.

No loopholes. For example, some deals stipulate that the mandatory deferral must be simultaneous with or only occur following the cessation of common dividends (a look-back period). As long as the company chooses to pay even a paltry dividend, the security continues to pay. Obviously, such an instrument is "mandatory" in name only.

No back-door payment mechanisms. Many proposed high-equity structures provide for requiring payment or allowing payment in common stock while mandatory deferral is in effect, under the terms of so-called alternative payment mechanisms (APM; see section "Issue Features: Alternative Payment Mechanisms/Alternative Coupon-Settlement Mechanisms (APM/ACSM)"). While appealing on the surface, we believe such provisions could defeat the purpose of mandatory deferral. The likelihood is that the company will feel pressured--if not actually obliged--to make the payment, and then turn around and repurchase the stock it issued (unless it were otherwise inclined to issue common stock for whatever reason). Ironically, the higher the threshold of the instrument, the greater the likelihood the company would pay and repurchase. To meet our requirements for "high" equity content, APMs are acceptable only if they take effect five years or more after the initial breach of the trigger.

Permanence. Excluding mandatorily convertible issues, to qualify for "high" or "intermediate" equity content, there must be assurance that the issue—or a successor issue warranting a similar or higher degree of equity content-—will be a component of the issuer's capital base for a long time. We apply a common standard regarding remaining time to maturity to all investment-grade financial institutions (including insurance companies) and corporates, in all regions. Under this standard, we require a hybrid capital issue to have a remaining term of at least 20 years to receive our "intermediate" or "high" equity content designation. (See section "Issue Features: Maturities/Scheduled Maturities.") The ability to call can give reason for pause, since it puts into question whether the issue will remain outstanding beyond the initial call date. However, where an issue contains a call provision, the issuer has the option to redeem the issue, but no obligation to do so.

As long as we believe the issuer intends either to keep the issue outstanding or refinance it with the proceeds of another issue warranting comparable equity content, we do not view the call date as an effective maturity (see section "Issue Features: Call Provisions"). In recent years, many hybrid capital issues have coupled calls with mechanisms clearly designed to penalize the issuer if the call is not exercised, such as step-ups. While such provisions can enable the issuer to benefit from lower funding costs, since investors assume the issue will be called, they can fly in the face of any notion of permanence, absent mitigants, such as legally binding replacement capital covenants. We have developed guidelines for assessing such provisions (see sections "Issue Features: Call Provisions," "Issue Features: Step-Ups, Resets, Remarketing," and "Issue Features: Replacement Capital Covenants").

Subordination. Subordination (i.e., subordination to all conventional debt) is necessary to meet the criteria for the "high" or "intermediate" equity content category, when based on tight mandatory deferral. The original premise of modern, tax-deductible preferreds was that they would provide deep subordination. However, in reaction to some tax authorities' apparent sensitivity to full subordination, this feature was watered down. Virtually all U.S. trust-preferred securities, for example, are subordinated to indebtedness--but pari passu with trade creditors. While the lack of full

subordination weakens the equity content for all such securities, we have not automatically excluded those securities from the "high" or "intermediate" equity content category.

With mandatorily deferrable issues, investors are taking substantial risk--well beyond the corporate default risk--and this risk is reflected in relatively low ratings on the securities themselves (as discussed in "Rating The Issue (Notching)" below).

The benefits of mandatorily deferrable issues could be offset by exposing the company to negative market responses, in the event of a looming or actual deferral. This is more pronounced in times of market turbulence, when "headlines" can dramatically affect financial institutions' funding flexibility, whatever the state of credit fundamentals otherwise. We believe that for companies that are confidence-sensitive--notably, financial institutions, including insurance companies--deferrals driven by mandatory triggers could result in more harm than the benefit realized by reduction in debt service obligations. Accordingly, we do not consider hybrids with tight mandatory triggers as eligible for "high" equity content for confidence-sensitive issuers.

More broadly, even for issuers in less confidence-sensitive sectors, if the triggers halt payment while the company is still far from being incapable of making the payments, the benefits of reduced debt service could turn out to be small relative to the potential headline risk and investor reaction--especially in cases where the trigger threshold is at a level where the company is investment grade. The company could pay a price in terms of its financial flexibility. (Alternatively, the company would be motivated to avoid the deferral by retiring the issue.) These risks associated with mandatory deferrals are recognized in qualitative aspects of our analysis, no matter how the security is treated for ratio-calculation purposes.

Specific features of the security could mitigate or heighten the risk--and recent proposals for securities structured to achieve high equity content have included features that are pertinent to the issues we have raised in this section. In this regard, the trigger must not be opaque or overly complex. It can be defined by a ratings downgrade or breach of various financial benchmarks that serve as a proxy for credit quality. Any metrics used in defining the triggers need to be straightforward and highly transparent. But they also must be customized for the specific context of the issuer. Complexity may be hard to avoid, especially given the interplay of business risk with financial indicators of credit quality. (This can be especially challenging in sectors such as regulated utilities, where the business risk profile plays an outsize role.)

Some structures shift deferral risk from the investors by introducing a financial counterparty to stand in for the company at the point of deferral. By effectively dealing with the direct risk to investors, market reaction might arguably be muted. Still, the need for third-party intervention could produce similar negative responses. Moreover, the relationship of such a counterparty vis-à-vis the issuer could give it special clout to avoid or undo the cash savings of any deferral.

"Intermediate" equity content

This category encompasses a wide range of instrument types and accounts for the overwhelming majority of hybrid issues. "Intermediate" equity content hybrids have substantial equity-like characteristics. These include features that help protect credit quality in the event of financial distress. If such hybrids substitute for plain vanilla debt, they improve the overall quality of the issuer's capitalization. Nevertheless, an "intermediate" equity content hybrid is also

debt-like in some respects, typically due to the relatively fixed nature of the dividend/interest on an ongoing basis, given investor expectations. Noncumulative perpetual preferred stock (noncumulative in the sense that where the company passes on a dividend, there is no obligation to eventually make this up) is the most equity-like of the instruments we view as warranting "intermediate" equity content. As the name suggests, such an issue has no maturity date or repayment obligation, so the equity benefit does not diminish over time. It is subordinated to all debt and other liabilities of the company. And the company can choose not to declare dividends at its discretion, with no limitation on the length of time it can do so-—except that it cannot pay common dividends while it is deferring on the preferred dividend--and no obligation to make up missed payments. (In some cases, after a certain period of time, such as six quarters, during which dividends are not declared, preferred shareholders have the right to appoint a small number of directors to the company's board of directors. However, while this board representation is enough to pose a nuisance to the company, the preferred stockholders still have only limited ability to pressure the company for compensation.)

Yet, we don't generally view noncumulative preferred stock as warranting more equity content, given our assumption that managements are loath to exercise the right to defer payments (except in the case of regulated companies where this affects the regulatory capital treatment). Investors expect to be paid, and, short of severe financial distress, companies will be reluctant to disappoint investors, for fear of the capital markets' reaction. (In the case of regulated issuers, the regulator, in theory, could be more proactive about insisting that payments be forgone. Historical evidence is lacking, however, that this has been the case.) While, on balance, we believe noncumulative distributions are more supportive of credit quality than are cumulative payments, we recognize that the greater potential harm to investors-–since missed payments are never made up—could make companies even more reluctant than otherwise to exercise the right not to pay. Moreover, in cases where dividends on noncumulative perpetual preferred are not tax deductible (as in the U.S., but not in the U.K.), the relatively high after-tax cost of the issue could motivate the company to refinance it under certain circumstances-–belying the nominal perpetual life.

(Note: We also don't make a distinction in our analytical treatment of cumulative issues between those where deferred payments accrue interest and those where it doesn't. The latter are more equity like in that the payments the issuer ultimately must make up are smaller. However, the difference is unlikely to affect the issuer's financial profile meaningfully.)

Since 1993, U.S. companies have been issuing what we term "conventional" trust-preferred stock. This term is used to refer to a class of instruments that take different legal forms--being issued via a trust, via a partnership, or directly by the company. Trust-preferred structures can differ in other regions, but in the U.S., the common features from a credit perspective are as follows:

- A term of 30 to 40 years;
- Deep subordination, although senior to noncumulative perpetual preferred stock in certain cases; and
- Optional deferral of dividends for up to five years, at which point any arrearage has to be paid, or a legal default results.

Conventional trust-preferred stock, as defined above, is somewhat less equity-like than is noncumulative preferred stock, but nonetheless still warrants "intermediate" equity content under our criteria. Although a term of 30-40 years is less supportive of credit quality than a perpetual term, 30-40 years is nonetheless a long time in the life of any issuer,

generally being longer term than the overwhelming majority of its debt obligations. We don't believe different degrees of deep subordination are significant from creditors' perspective. And while the longer the company can defer or forgo payments the better, five years should be long enough for most companies that fall on hard times to effect a turnaround—if the company is going to survive at all.

Since 2005, U.S. companies have been issuing what we term "enhanced" trust-preferred stock, typically having the following features:

- A term of 40 to 60 years;
- Deep subordination—in some cases with the issue being junior to conventional trust-preferred issues; and
- Optional deferral of dividends for up to 10 years, and, in some cases, no legal default even if there is continuing nonpayment after 10 years.

The longer the ability to defer or forgo payments, the better, from the perspective of equity content. To highlight this point, as we apply our framework to financial institutions (excluding insurance companies), we distinguish between instruments where deferral is limited to five years, which instruments potentially receive our "intermediate-adequate" equity content designation; and instruments where deferral or nonpayment can exceed five years, which potentially receive our "intermediate-strong" equity content designation (as is the case with most trust-preferred instruments issued in Europe). We don't make such a distinction in other sectors.

Just as in the case of "high" equity content instruments, as discussed above, an instrument must have a remaining life of 20 years or more to continue receiving the "intermediate-strong" or "intermediate-adequate" equity content designation. Myriad "bells and whistles" are found in conjunction with the basic structures described here. Some of these can qualify the extent to which the instrument can be viewed as permanent or semipermanent.

Many issues completed in recent years have included call provisions that are combined with step-ups or other repricing mechanisms that are clearly designed to motivate the issuer to call the issue—even if it is not optimal for the issuer to do so at that point, from a credit perspective. Where the call date is at least five years from the initial issuance date, the increase in cost is moderate, and there are adequate offsetting provisions (e.g., a legally binding replacement capital covenant), the instrument can nonetheless qualify for "intermediate" equity content under the guidelines we have developed (see sections, "Issue Features: Step-Ups, Resets, Remarketing," and "Issue Features: Replacement Capital Covenants).

In addition, many recently completed issues have included provisions designed to limit the extent to which investors bear the risk of deferral. Conventional U.S. trust preferred has "unfettered deferrability," by which we mean that the company can optionally defer for the full five-year period without being required to undertake any issuance of common stock or additional hybrid capital. In some other cases, APMs are included that require the issuer, under certain circumstances, to undertake the issuance of common stock or additional hybrid capital, and utilize the proceeds to make the dividend/interest payment that it would otherwise defer.

We believe such a requirement--becoming effective at a point when the issuer's common stock price quite possibly would be depressed and its ability to issue new preferred stock on acceptable terms dubious--undermines the value of optional deferrability, since it could lead the issuer to be even more reluctant to exercise the deferral option than

would otherwise be the case. We have developed guidelines for determining when such provisions are still consistent with "intermediate" equity content (see section "Issue Features: Alternative Payment Mechanisms/Alternative Coupon Settlement Mechanisms (APM/ACSM)").

Some issues seek to strengthen equity content through the use of mandatory triggers by decreasing reliance on management's discretion (see section "Issue Features: Mandatory Deferral"). However, if the triggers are set at a level so remote that the company, at the point the triggers were breached, would likely be contemplating optional deferral anyway, they may add little to the optional deferral provision alone. In some cases, mandatory triggers are coupled with APMs, as discussed above. Unlike with "high" equity content instruments, we believe it is acceptable in the case of "intermediate" issues if the APM becomes effective immediately upon the breach of the trigger or after some fixed time short of five years. However, where this is the case, we believe that it is necessary for there to be restrictions on the company's ability to repurchase any securities issued under the APM, or the objective of cash conservation could be thwarted.

"Minimal" equity content

The "minimal" category includes some instruments with significant equity attribute(s), but which, as a whole, fall short of our standards for "intermediate." This category includes, for the most part, either subordinated issues with deferrable payments, but where there are fewer than 20 years remaining until the maturity, or long-lived subordinated issues with deferrable payments, but where the ability to defer is limited to fewer than five years or otherwise restricted. One example of the latter is certain Tier 2 or Tier 3 subordinated issues of banks on which the interest payments are not subject to optional deferral, but where the payments can be restricted by a relatively loose earnings test. Another example would be corporate issues that have all the main features of conventional trust preferred, except that they carry debt nomenclature-–which we believe could cause management to be even more reluctant than usual to exercise the right to defer payments, given the added headline risk of not paying on a debt instrument. (Such instruments can achieve "intermediate" equity content when in the form of enhanced trust preferred, given the offsets of the extended deferral feature and longer term.)

While, as discussed below, instruments with "minimal" equity content are treated as debt for ratio calculation purposes, that isn't to say that we disregard their equity-like characteristics in our analysis. Rather, we take account of them qualitatively. Given the varied attributes of any hybrid capital instrument--however categorized--financial ratios, at best, tell only part of the story.

Instruments structured as hybrid capital issues that fail to meet our standards for "high" or "intermediate" equity content do not necessarily warrant even the "minimal" equity content designation, in our view. Some are predominantly debt-like, and so are viewed as such. Examples include:

- Subordinated debt, where there is no deferability of payments. Here, we believe the inflexibility of the ongoing payments far outweighs the equity-like aspects.
- Very long-dated or perpetual senior debt, where there is no deferability of payments. Again, we believe the inflexibility of the payments more than offsets the equity-like aspects.
- Auction-rate preferred stock. Although nominally perpetual and subordinated, and having dividends that are deferrable, this instrument has a dividend rate that is reset through an auction process at very short-term intervals. Given a failed auction, the issuer is likely to come under intense pressure from investors to retire the issue.

- Mandatorily convertible issues where conversion into common occurs more than three years from the current time, or where there could be greater share dilution than permitted under our guidelines. In such cases, we would be concerned that a repurchase of the shares would follow the share issuance, and that the risk of this occurring could be greater the more depressed the issuer's share price.
- Instruments-–where adequate equity-like features are otherwise lacking--that can convert into common stock at the option of the holder, and where the conversion option becomes attractive to investors only when there is share price appreciation (see section "Issue Features: Conversion Into Common Stock And Share Settlement").
- Certain instruments that could convert into common stock-–mandatorily or at the option of investors-–but where the issuer then has the alternative of redeeming the issue for cash.

Applying Hybrid Capital Equity Content Assessment In Credit Analysis

Different attributes of equity hybrids are relevant to different dimensions of our analytical methodology. The aspect of ongoing payments is considered in fixed-charge coverage and cash-flow adequacy; equity cushion is considered in leverage, capital adequacy, and asset protection; the need to refinance upon maturity is considered in liquidity; and the potential for conversion is considered in financial policy. The before- and after-tax cost of paying for the funds also is a component of both earnings and cash flow analysis.

In our analytical methodology, we take account qualitatively of a hybrid capital issue's varied effects on the issuer's credit profile. We have also developed techniques for factoring in hybrid capital in our calculation of certain financial ratios-–knowing, though, that any such adjusted ratios represent a simplified view, and certainly do not tell the whole story.

In assessing hybrid capital issues' equity content, we use a common framework across our Corporate and Financial Services practices and across regions. In applying our conclusions, though, there are significant differences, reflecting the different nature of the companies and in our rating methodologies among sectors.

In our analysis of corporates, we have found that among all the possible ways to represent "intermediate" issues in financial ratios, the most effective is to split hybrid-related amounts 50%-50% between debt and equity.

Compared to the norm for corporates, most types of financial institutions (aside from insurance companies) are highly leveraged and have heavy funding appetites. In our analysis, the quality of capital is an important consideration. In considering regulated financial institutions (including insurance companies), we must pay particular attention to the matter of capital adequacy relative to regulatory capital requirements. In turn, the hybrid methodology does not follow the "partial credit" approach used for corporates; rather, for capitalization ratio calculation purposes, it grants full equity content within certain threshold limits, which are set depending on the degree of equity content.

Applying Hybrid Capital Equity Content Assessment In Credit Analysis: Corporate Methodology

Under our corporate methodology:

- Hybrids with "minimal" equity content are treated entirely as debt for ratio purposes;

- Amounts relating to "intermediate" category hybrids are split into 50% debt and 50% equity; and
- Hybrids with "high" equity content are treated entirely as equity for calculating ratios.

This approach is followed in our analysis of capital structure, as well as of cash flows and fixed-charge coverage. That is, for "minimal" equity content instruments, all related dividend or interest payments (however defined legally) are treated as a fixed charge; for "intermediate" equity content instruments, 50% of the related payment is treated as a fixed charge and 50% as the equivalent of a common dividend; and for "high" equity content instruments, all related payments are treated as if they were the equivalent of a common dividend—i.e., they are not included in fixed charges. (See also "Standard & Poor's Encyclopedia of Analytical Adjustments for Corporate Entities," published July 9, 2007, on RatingsDirect.)

As discussed above, in assessing a hybrid capital instrument's equity content, we consider the financial reporting treatment of the issue, since this can influence management's actions and the market's perception. However, in performing our ratio calculations, we reallocate as necessary between debt and equity, and between interest expense and dividends, in accordance with our analytical methodology, and our treatment is not driven by the accounting treatment.

We know our approach to calculating ratios is a simplified one, inevitably leading to some distortions. So, for example, as discussed above, we don't view "minimal" equity content issues as fully debt-like, nor do we view "high" equity content issues as the exact equivalent of common stock. And, for intermediate issues, there are cases where the 50%/50% allocation will skew ratios in a positive or negative direction (depending on the initial financial profile of the issuer and the use of proceeds), where our overall analytical interpretation of the hybrid issuance would be the opposite. Moreover, in the case of "intermediate" issues, the company will generally either pay the stipulated amount or defer it; it is rare for there to be a partial payment.

These drawbacks speak to the limited value of financial ratios where hybrid capital issues are concerned. These instruments represent a bundling together of different features, which have a varied effect on the issuer's credit profile. We haven't devised a means of calculating financial ratios that better captures such subtleties.

Prior to mid-2006, for hybrids with intermediate equity content, we computed financial ratios both ways-—viewing them alternatively as debt and as equity, i.e., we calculated two sets of coverage ratios--to display deferrable ongoing payments entirely as ordinary interest and alternatively as an equity dividend. Similarly, two sets of balance-sheet ratios were calculated for the principal amount of the hybrid instruments, displaying those amounts entirely as debt and entirely as equity. For hybrids in the middle category, analytical truth lies somewhere between the two, and we sought to interpolate between the two sets of ratios to arrive at the most meaningful depiction of an issuer's financial profile. However, this methodology also had drawbacks, including the challenges for issuers in appreciating the potential impact on our view of their financial profile. Therefore--notwithstanding the issues mentioned above--we decided to calculate ratios with the amounts relating to intermediate category hybrids split 50%-50%. This is the set of ratios we now emphasize as the basic adjusted measures, and these are the ratios we publish in our reports. We believe this approach has greater transparency and ease of comparability-—thereby outweighing the negatives. We continue to encourage analysts to view hybrids from all perspectives.

Under our corporate methodology, there is no hard-and-fast limit to the amount of hybrid capital for which we

recognize equity content. Nonetheless, without drawing any bright lines, we would, indeed, be sensitive at a certain point. That is not because the character of the security changes when a lot of it is issued. Rather, beyond a certain point, a company's nonstandard, complex, or over-engineered balance sheet begins to put its financial policies in a negative light. In turn, this could lead to market pressures to restructure or normalize company finances. This concern would be compounded to the extent that a company also uses various off-balance-sheet financing vehicles, derivatives, and long-term contracts, and/or other techniques that contribute to an overall opaque financing structure. The perception of financial aggressiveness--by us or by the investment community--would certainly overshadow any theoretical benefit from the equity content that might be afforded to hybrid securities. It helps to focus on measures that would indicate little or no concern. In simple terms, there should be no problem with issuing conventional hybrids in an aggregate amount up to 15% of capitalization. (Capitalization is defined as debt + hybrids + book equity, adjusted for goodwill and also making all our other standard adjustments.)

For corporates and financial institutions (excluding insurance companies), ratio calculations incorporate capital only after it is issued—or its issuance is mandatory within a relatively short period. Even though a company has contracted for the right to sell equity at its discretion and even has fixed a price, we do not include such contingent capital in advance. This treatment applies whether the contingent capital is provided by a financial counterparty or structured vehicle, whether prefunded or not.

That said, contracting for contingent capital can be very valuable as a credit support in specific situations. For example, a company might find its credit rating under pressure because of a potential acquisition or expansion; and management's stated intention to issue equity to finance such activity may not be entirely convincing. Arranging contingent equity capital in advance could be just what is needed to allay any concerns regarding a credit-harming outcome. The company would not want to issue equity prior to the transaction materializing. But locking in the availability and cost on a contingent basis makes sense as an "insurance policy." In the insurance sector, given the "lumpiness" of potential losses, we give formal recognition in capital ratios to certain contingent capital structures (see section "Applying Hybrid Capital Equity Content Assessment In Credit Analysis: Insurance Methodology").

Corporate methodology: Corporates' operating subsidiaries issuing equity hybrids

Many corporates structure their operating units as distinct legal entities, owned, controlled, and consolidated by the parent company. (This is especially the case in the utility business, where the operating subsidiaries are regulated entities. It is also the case for financial institutions [including insurance companies], but this note relates only to corporate issuers.) If such operating subsidiaries issue equity hybrids, the rating benefit extends to the parent company and the larger consolidated entity--inasmuch as our analysis focuses on the consolidated economic entity.

Issuance at the subsidiary level raises some questions regarding how the equity aspects help parent company creditors. In particular, the lack of subordination from the perspective of the parent's creditors and the potential for trapping funds at the subsidiary are two concerns that differentiate subsidiary issuance from parent issuance. However, we believe the equity content for the parent is generally deserved, as explained below.

A critical element of equity is subordination--and equity hybrids feature deep subordination (with the occasional exception of trade payables). The significance of subordination is twofold. It creates a cushion to absorb losses prior to bankruptcy, which leads to higher recovery (loss given default) on senior issues. In turn, the better recovery prospects

for senior issues allow the company greater access to (senior) capital, enabling it to stave off a default in the first place. It is precisely this latter consideration that is important for the corporate credit rating.

In the case of subsidiary issuance, the subordination pertains to other claims against that subsidiary--but the hybrid's claim actually is senior to claims of parent company creditors. This priority of claims is referred to as structural subordination (of parent company creditor claims, even senior debt claims).

Nonetheless, equity issued by a subsidiary enhances capital access by reassuring potential debt providers to the subsidiary itself. As long as the subsidiary is positioned to raise additional funds--and it can direct those funds to its parent or affiliates--the default risk for the entire consolidated entity, including the parent, is lower. (As far as recovery prospects, parent company debt issues are indeed disadvantaged by adding to operating company claims. Our recovery ratings and notching of parent issue ratings reflect such priority claims.)

As noted, we normally assume that parents and subsidiaries are free to direct cash at will throughout the consolidated group. (Indeed, in cases where this is effectively restricted--for example, by regulators or covenants--we do not apply the consolidated rating methodology.) Thus, the ability to defer payments on the equity hybrid is beneficial, not just for the immediate subsidiary that issued the hybrid, but also for the group as a whole, since the cash conserved can be directed to affiliates as needed.

There is a concern, however, that cash conserved by the subsidiary from dividend deferral may not be available to its affiliates by virtue of the typical dividend-stopper provisions in the hybrid security. These provisions force the cessation of common dividends as long as the hybrid periodic payments are being deferred. If the dividend stopper pertains to dividend payments by the subsidiary to its parent, the cash conserved may be trapped at the subsidiary, limiting the equity benefit associated with the hybrid.

There are, however, mitigating considerations regarding the dividend stopper.

- There is no requirement that a dividend stopper should apply to intercompany dividends. Some utilities have issued subsidiary securities that restrict payment of dividends by the parent on parent common stock; the subsidiary is free to pay dividends to the parent. (The linkage to parent company dividends adds a disincentive to defer. However, this consideration applies broadly to equity hybrids issued by the parent company. Accordingly, the issuance via a subsidiary is no more problematic than if the parent were the issuer.)
- There usually are ways other than common dividends to transfer cash intercompany, including, for example, loans and advances. Moreover, the dividend-stopper clauses of some utility hybrids have actually spelled out and permitted the upstreaming of cash payments to the parent for specific operating needs. (Of course, if there are constraints in individual situations--such as tax-related issues--our analysis will take the specific fact pattern into account.)
- The scenarios under which hybrid payments are deferred could well involve stress at the issuing subsidiary itself. (Indeed, the more significant the role of a particular operating subsidiary relative to its group, the more likely that the group's distress emanates from that operating subsidiary.) In that case, the cash conserved directly assists the subsidiary in meeting its various obligations. Indirectly, the parent benefits by avoiding the need to downstream cash to help its subsidiary.

Note: We analyze hybrid capital issues of corporates' finance subsidiaries utilizing our financial institutions framework.

Corporate methodology: Leveraged buy-out equity hybrids: Too good to be true

For the past few years, leveraged acquisition activity has employed ever-greater financial leverage. To stretch still more, equity hybrids have been introduced for such buyouts.

A recently popular hybrid security for this purpose provides leveraged buy-outs (LBOs) with a modicum of equity--or, at least the appearance of equity. The security is a preferred stock held by owners of common stock, and has the following terms:

- Perpetual;
- High dividend yield;
- Option of payment-in-kind (PIK), at the discretion of the company, for life of security;
- Some versions provide for PIK only, with no cash payments of dividends for life of security;
- Deeply subordinated; and
- Needs to be redeemed only upon change of control.

At first blush, the security is extremely equity-like. However, we are skeptical about this security's benefit for the company's long-term credit quality. We do not assign it any equity content, and treat it as debt in calculating credit ratios.

We specifically are concerned about the incentives created by this structure to pay the dividend in cash where possible--even when not required--and/or orchestrate a change of control. The LBO context (i.e., very aggressive financial policies of owner/sponsors) heightens our concerns. In the case of aggressive LBO owners, common equity itself is ephemeral: Indeed, for most LBOs, the overarching rating consideration is the risk associated with future owner actions, rather than the specifics of the current balance sheet. (Please see "Credit FAQ: Knowing The Investors In A Company's Debt And Equity," published April 4, 2006, on RatingsDirect.)

Roadmap for redemptions

The current genre of equity sponsors, to generalize, has a track record of taking out its investment in owned entities very quickly, via cash dividends and fees of all types. We should not expect these controlling shareholders to defer cash payment of dividends on preferred securities they hold. Rather, the preferred should be seen as a vehicle--apart from other ways to extract cash--for owners to cash out. The yield on these securities is usually quite robust. Thus, the preferred is a roadmap for one avenue owners can use to take out significant amounts of cash.

If there is no cash payment option, there will be no cash payments, of course. But the owners will still want to see a return on the investment represented by the preferred stake--especially as the value of the preferred investment accretes quite rapidly, given the high dividend accrual rate. The change-of-control redemption provision can provide the mechanism for doing just that.

Change-of-control redemption

Even though the common share owners can cash out in various ways, there is often a growing incentive to realize the value of their preferred stake. Indeed, their investment will shift to the preferred stock--as taking out common dividends reduces the common equity, while paying the preferred dividends in kind leads to an ever-larger preferred investment. Ultimately, the preferred value may exceed the common value many times over.

This sets the stage for recapitalizing. The owners can orchestrate a change of control to trigger payment of the preferred. The change can be bona fide or contrived. Either way, the preferred likely will be replaced with debt.

Because the entity will be saddled with the takeout debt upon the expected change of control, we view this security as eventual debt, rather than equity, and include that debt immediately in metrics such as debt/cash flow.

In other instances where there are incentives to replace hybrid equity securities, we similarly are concerned that they will be replaced with debt, and we grant no equity content. For example, we presume hybrids with a substantial step-up will be called and replaced with debt in the absence of any specific replacement commitment.

Note that we ordinarily treat potential change-of-control as event risk. Change of control instigated not from within the company, but from without, is unpredictable and deemed to be beyond the pale of ratings analysis. However, regarding the context addressed here, change-of-control is foretold by the terms of the security and the structure of the capital base.

Corporate methodology

Real estate investment trusts REITs have become increasingly popular in a growing number of countries. A defining characteristic of a REIT is that it does not pay income taxes, but holders of REIT equity, including both common and preferred stock, pay taxes on the dividends received. Tax rules typically require REITs to pay dividends equal to a very high percentage of their earnings.

Similar to the way we view other unregulated corporates, we are concerned about the permanence of REIT hybrid capital. U.S. equity REITs have often refinanced "perpetual" preferred stock with debt. We attribute "minimal" equity credit to most REIT preferred securities, fully burdening the fixed-charge coverage metrics with the preferred dividend.

We have concluded that although REITs may be less likely to defer payment of preferred dividends because of their special dividend payout characteristics, the difference in deferral risk generally does not warrant a different rating outcome for the instrument. (See "Issue Features: Dividend Stoppers, Look-Backs, and Pushers," below.)

Applying Hybrid Capital Equity Content Assessment In Credit Analysis: Financial Institutions Methodology (Excluding Insurance)

In assessing financial institutions' hybrid capital securities, we employ the same broad equity content categories as with corporates-–"high," "intermediate," and "minimal." To reflect certain finer distinctions linked to regulatory capital, within the "intermediate" category we differentiate between "strong" and "adequate" issues.

Two sector-specific considerations significantly influence our approach to assessing equity content in the case of financial institutions.

First, in the case of regulated financial institutions, regulators have the power to intervene in companies' operations, and they typically determine whether to do so based, at least in part, on their own definitions of capital adequacy. Consequently, and due to the importance of regulatory capital, when assessing individual instruments and their specific features, we take account of the regulators' view. We don't follow the regulators exactly. Rather, we have developed generalized guidelines that vary somewhat from regulators' to facilitate cross-border comparisons.

Qualification as regulatory capital (Tier 1 or Tier 2) is a mandatory requirement for us to include a hybrid security in our total capital measures for regulated companies. If the regulator excludes an instrument from regulatory capital, the instrument provides no cushion between minimum capital and regulatory action, which could include closure. Whereas we are sometimes more conservative than regulators as to where we place a hybrid security in our hierarchy of equity content (compared to regulators' own classification hierarchy), we are rarely more liberal.

The home country financial regulators' capital policy is inscribed in the terms of most bank hybrid capital issues. Not only will the regulatory treatment influence the chosen structure of a hybrid instrument, but the redemption and refinancing of hybrid capital instruments typically is subject to regulatory review. Regulators typically can intervene to enforce the suspension of hybrid coupon payments, restrict the amount of hybrids that an entity can issue, and require any redeemed hybrid to be replaced with an instrument of equivalent strength. Regulators define and accept hybrid capital instruments to allow financial groups to build and manage regulatory capital. They seek instruments that rank below debt in liquidation and that absorb losses while permitting the financial institution to continue to operate. Bank regulators in mature and emerging countries around the world have adopted the Tier 1 and Tier 2 categories of hybrid instruments developed and defined by the Basel Committee on Banking Supervision to rank the instruments by relative capital strength and to regulate capital and leverage in the industry. Bank regulators distinguish between "plain vanilla" subordinated debt, which provides protection to depositors and senior creditors in liquidation, and stronger types of regulatory capital, which defer or eliminate coupon payment under defined circumstances. In many countries, and notably in the EU, regulators further define Tier 2, setting specific standards for eligibility as upper and lower Tier 2 capital. Consequently, when we review a financial institution's hybrid capital instrument, the regulatory intent with respect to the instrument is a dominant factor in our analysis of equity content and payment deferral risk.

The second sector-specific consideration that influences our approach to this sector is that financial institutions are typically characterized by a high degree of financial leverage and heavy ongoing funding requirements. The quality of capital and its ability to provide a cushion against insolvency and liquidity risks are of paramount importance.

Consequently, we apply varying limits to the inclusion of hybrid securities in our capital measures for financial institutions. This parallels the regulatory approach and best fits the highly leveraged nature of financial services companies. These limits vary by degree of equity content: high equity content hybrid securities are subject to higher limits than are intermediate-strong hybrid securities, which are subject to higher limits than are intermediate-adequate hybrid securities (see table 2).

Table 2a

Equity Content Categories - Financial Institutions

Equity content desgnation	Maximum included in adjusted total equity (ATE)*	Examples
High	Up to 50% of adjusted common equity (ACE)	Short-dated mandatory convertible securities (less than three years)
		Issues with participating coupons
Intermediate-strong	Up to 33% of ACE	Noncumulative, perpetual preferred stock
	Up to 18% or 33%** of ACE	Enhanced trust preferred
Intermediate-adequate	Up to 12% of ACE	Conventional trust preferred
Minimal	Not included in ATE	Issues that otherwise qualify for "intermediate" or "high" but have remaining lives of less than 20 years.

Table 2a

Equity Content Categories - Financial Institutions (cont.)

*Maximum amounts are cumulative of lower-designated securities. For example, an issuer that had already issued "intermediate-adequate" hybrids in an amount equal to 12% of ACE could get equity credit for additional "high" issuance up to 38% of ACE (thereby totaling 50%) or up to 21% of ACE in the form of noncumulative perpetual preferred stock (an intermediate-strong instrument, which, by itself, would receive equity credit up to 33% of ACE), thereby aggregating 33% of ACE. **Enhanced trust preferred of regulated N.A. financial institutions is limited to 18%.

Table 2b

Definitions Of ACE And ATE

Common shareholders' equity (as reported by company)	
	(+) Minority interest-equity
	(-) Dividends (not yet accrued or distributed)
	(-) Revaluation reserves
	(-) Goodwill and nonservicing intangibles
	(-) Interest-only strips
	(-) Tax loss carryforwards
	(+/-) Postretirement benefit adjustments
	(+/-) Other adjustments
= Adjusted common equity	
	(+) Preferred stock and hybrid capital instruments (subject to limits)
	(+) General reserves
	(+) Unrealized gains
	(-) Equity in unconsolidated subsidiaries (financial companies)
	(-) Capital for insurance subsidiaries
	(-) Adjustment for securitized assets
= Adjusted total equity	

Like the regulators, we limit the proportion of hybrid securities in our capital ratios because excessive reliance on hybrid securities increases financial leverage due to the fixed cost of servicing the hybrids and potential concentrations in the redemption dates of dated or callable instruments. The servicing cost of hybrids is less flexible than that of common equity, and many hybrids are less permanent than common equity. Investors expect hybrid securities to pay a fixed coupon. Hybrids often contain features that create incentives for management to retire the instrument, or to repurchase common shares that might be issued as a result of a conversion clause. Moreover, many hybrid securities include highly complex combinations of different features and are still relatively novel and untested, making it difficult to foresee how the securities would perform for issuers in different scenarios--and may cast doubt over how they would absorb losses on a going-concern basis. Thus, a prudent financial policy dictates a degree of caution about reliance on capital in this form.

In the same vein, banking regulators impose restrictions on call and step-up features to limit the incentives to retire regulatory capital that is intended to be permanent. In 1998, the Basel Committee on Banking Supervision issued a notification for regulators to limit acceptance of "innovative capital instruments" with calls and step-ups to a maximum of 15% of Tier 1 capital and to subject innovative hybrids to stringent conditions:

- The call option with step-up should be a minimum of 10 years after the issue date;
- The step-up should be less than or equal to 100 basis points (bps), less the swap spread between the initial index

basis and the stepped-up index basis; or the step-up should be less than 50% of the initial credit spread, less the swap spread between the initial index basis and the stepped-up index basis;
- There should be no more than one rate step-up during the life of the instrument; and
- The swap spread should be fixed as of the pricing date and reflect the differential in pricing on that date between the initial reference security or rate and the stepped-up reference security or rate.

Regulators in mature banking markets around the world generally have implemented the 15% Tier 1 limit on innovative hybrids broadly in line with the conditions suggested by the Basel Committee (although there are some exceptions based on the "grandfathering" of previous regulatory agreements).

The following are noteworthy points about our financial institutions methodology:

- As shown in Table 2, we express our caps in terms of percentages of "adjusted common equity" (ACE), as defined. In our capital measures, hybrid capital is included in "adjusted total equity" (ATE), which is a broader form of capital than ACE. Defining our caps in terms of ACE avoids the circularity that otherwise would result if the cap definitions were based directly on ATE.
- We differentiate the equity content of hybrid securities with deferrable payments limited to five years or less (such as conventional trust preferred) and instruments with longer deferral (such as enhanced trust preferred and noncumulative perpetual preferred). The former are typically "intermediate-strong" and the latter "intermediate-adequate."
- Given regulators' role in overseeing and authorizing any refinancing, we are not as concerned about call provisions as with unregulated issuers. Where an issuer is regulated and we believe the regulator will ensure that any refinancing would not be credit-harming, we do not penalize issues with call dates earlier than five years. And even where a call is coupled with a moderate step-up, we do not require a legally binding replacement capital covenant, unless the call date is less than 10 years from the date of the initial issuance. (See sections "Issue Features: Call Provisions" and "Issue Features: Step-Ups, Resets, Remarketings.")
- Hybrid securities with mandatory deferral triggers are never viewed as warranting "high" equity content in the case of confidence-sensitive entities (i.e., financial institutions, including insurance companies). Given financial institutions' heavy funding requirements and need to preserve access to capital markets, hybrid securities with mandatory deferral triggers could result in more harm--stemming from negative market responses--than the benefit derived from reducing debt service obligations. (See section "Issue Features: Mandatory Deferral.")

The following are noteworthy points regarding our approach to U.S. financial institutions in particular:

- The Federal Reserve is considered the leading regulatory authority with respect to hybrid securities by the other bank and securities regulators, who lack detailed frameworks of their own. Thus, we generally assume that the Federal Reserve framework is applicable to all regulated U.S. banks and securities firms.
- Unlike bank regulators in most other countries, the Federal Reserve does not allow issues with step-ups less than 30 years from the initial date of issuance as regulatory capital. This is the approach we take, then, to issues of regulated U.S. financial institutions.
- Our perception is that the Federal Reserve draws a sharp distinction between Tier 1 and Tier 2 capital, placing much greater emphasis on the former in its assessment of capital adequacy (see Table 3). As a consequence, for regulated U.S. financial institutions, we give equity credit only to issues that qualify for Tier 1 regulatory treatment, whatever their characteristics otherwise.
- Generally, in the case of instruments in the intermediate–strong category, we allow for inclusion of the amount outstanding up to 33% of ACE. In the case of U.S. regulated financial institutions, we have a limit of 18% for enhanced trust preferred. (Conventional trust preferred, which we classify as intermediate–adequate, is limited to

12%. Noncumulative perpetual preferred can still qualify for intermediate-strong, up to 33% of ACE.) This special treatment is driven by U.S. regulatory considerations. Specifically, under new rules for determining Tier 1 capital that the Federal Reserve adopted in 2005 and that take effect in first-quarter 2009, so-called "restricted core capital elements," which include trust preferred and other cumulative preferred, are to be limited to 15% of the sum of "core capital components," net of goodwill, for bank holding companies deemed to be "internationally active" (see Table 3). While the Federal Reserve's restriction is limited to internationally active banks (i.e., those with $250 billion or more of consolidated assets or having $10 billion or more of on-balance-sheet foreign exposure), given the caution of the Federal Reserve with respect to including trust preferred in Tier 1 capital, even in its enhanced form, we think it is prudent to depart from our normal numeric guidelines. We also believe that for our analytic purposes it is more prudent to hold all U.S. regulated financial institutions to the same standard. Indeed, it is at the smaller, less-diversified banks where matters of capital adequacy assume greater importance. Thus, in our framework, we limit enhanced trust preferred to 18% of ACE for all regulated U.S. financial institutions.

Table 3

U.S. Federal Reserve Board Framework: Components Of Risk-Based Capital For Bank Holding Companies

Qualifying total capital consist of the following two types of capital components:
- Core capital elements (Tier I)—which must represent at least 50% of qualifying total capital
- Supplementary capital elements (Tier II)

Tier of Capital Elements	Limits	
TIER I*		
Core Capital • Common stock • Perpetual noncumulative preferred stock • Perpetual noncumulative preferred stock convertible into common	Unlimited, but a majority of TIER I must be voting common stock	
Restricted Core Capital • Trust preferred plus three-year forward on common • Trust preferred plus three-to-five-year forward on preferred • Cumulative preferred stock mandatory convertible into common in three years	25% of TIER I	25% of TIER I
Restricted Core Capital (limited for internationally active BHCs) • Cumulative perpetual preferred stock • REIT preferreds (including partnership issued) • Eenhanced trust preferred • Traditional trust preferred securities	25% of TIER I (15% for Internationally active BHCs)	
TIER II		
Supplementary Capital • Non-Tier I portion of securities above** • Long-term dated cumulative preferred stock (20 year min. term) • Perpetual subordinated deferrable debt • Subordinated deferrable debt with automatic conversion features • Subordinated debt mandatorily convertible within 12 years	Up to amount equal to 100% of TIER I (50% of total capital max.)	Up to amount equal to 100% of TIER I (50% of total capital max.)
Supplementary Capital • Intermediate-term preferred stock (five-year min. maturity) • Dated subordinated debt (five-year min. maturity)	Up to amount equal to 50% of TIER I	

*Tier 1 capital is the sum of core capital elements, including permitted restructured core capital elements, less goodwill, other intangible assets, interest-only strips receivables, deferred tax assets, and nonfinancial equity investments.

**Non-Tier I portion of REIT Preferreds, and enhanced and traditional trust preferreds become subject to Lower Tier II limit beginning March 31, 2009.

© Standard & Poor's 2008.

For all financial institutions, the analysis of hybrid capital must be placed in the context of the broader analysis of capital, and of a bank or insurer's creditworthiness. Formulaic ratio-driven analysis represents only part of the overall quantitative and qualitative assessment of capital, which in turn can only be analyzed within the broader commercial and financial profile of the rated company. Capital ratios are visible shorthand signals of balance-sheet strength, but are not closely correlated with credit rating levels. Qualitative analysis of capital policy is fundamental to the global assessment of banks' and insurers' creditworthiness. No single measure fully captures the breadth of information

needed to evaluate an entity's capital adequacy. Industry participants--investors, securities analysts, and the company management itself--at times focus excessively on the management of bank and insurance capital with respect to a specific ratio, to the detriment of analysis of broader issues such as risk profile and management. Capital ratios based on historical data are also less meaningful than expectations of future capitalization under various scenarios. Components in the qualitative analysis of capital include: unrealized capital gains or losses and hidden reserves or losses, access to capital and liquidity from third parties, the nature and extent of minority interests, dividend policy, potential for earnings generation and retention, and management strategy with respect to acquisitions, disposals, and investments.

Applying Hybrid Capital Equity Content Assessment In Credit Analysis: Nonbank Financial Institutions Methodology

U.S. broker-dealers

We apply the same analytical framework for U.S. securities brokers that we have developed for banks. We believe the guidelines we utilize for banks capture our notion of what is prudent for securities brokers, despite the differences in business characteristics and fundamentals. Moreover, in the U.S., there has been a convergence of the regulatory standards applied to banks and those applied to brokers. In June 2004, the SEC established a framework for supervising the parent holding company of a SEC-registered broker-dealer. Four firms--Goldman Sachs, Lehman Brothers, Merrill Lynch, and Morgan Stanley--have opted into this supervisory regime, and have thereby become "consolidated supervised entities" (CSEs). The CSE status includes SEC oversight of capital adequacy. In this regard, the SEC has indicated it will abide by the Federal Reserve's standards for inclusion of hybrid capital issues in regulatory capital. Likewise, then, as with U.S. banks, we cap inclusion of enhanced trust preferred in ATE at 18% of ACE.

Finance companies

In assessing the equity content of finance companies' hybrid capital issues and calculating their capital ratios, we apply the same framework as for banks. Finance companies' asset composition and leverage characteristics are broadly similar to those of banks. While bank regulators' tolerances for hybrid capital issuance are not directly applicable to finance companies, we believe the guidelines we utilize for banks nonetheless capture our notion of what is prudent for finance companies. However, finance companies' enhanced trust-preferred are included in ATE up to 33% of ACE. We do not impose the 18% cap we apply to U.S. banks, since this tighter limitation is based strictly on regulatory considerations. On the other hand, without the external oversight of a regulator to help ensure that prudent capital levels will be maintained, we believe it is appropriate to apply stricter standards for replacement in cases where issues are callable and there is a step-up in the interest or dividend rate if the issue is not called. Here, we utilize the same guidelines as we do in considering corporates. Thus, if the step-up is material, we require an RCC for "intermediate" or "high" equity content, in jurisdictions where RCCs are legally valid and practical (see section "Issue Features: Replacement Capital Covenants").

Asset managers

In assessing equity content and calculating financial ratios of independent asset managers' hybrid capital issues, we essentially use the corporate model rather than the framework applied to banks, finance companies, and broker

dealers. There are three reasons for this. First, commercial banks are highly leveraged, asset-intensive financial institutions; traditional asset managers are not. At most banks, loans and deposits are the largest items on the balance sheet. In contrast, asset managers have relatively small balance sheets. Second, as a result of the nature of their balance sheets, credit metrics differ between banks and traditional asset managers. Third, as banks, brokers, and insurance companies are heavily regulated financial institutions, our approach toward hybrid securities for these entities parallels that of the relevant regulators, whereas, where matters of capital are concerned, asset managers are largely unregulated.

Stock and commodity exchanges

Similar to asset managers, in the case of stock and commodity exchanges, we also employ the corporate model rather than that applied to banks, finance companies, and broker dealers. Our approach toward rating stock and commodity exchanges focuses on the cash flow generated from operations to service their financial obligations. Monoline exchanges that only provide trade execution and ancillary services (e.g., price dissemination) are less capital-intensive than other financial institutions such as banks and brokers. However, more diversified exchanges that also provide clearing and settlement, securities custody, and even banking, require some additional capital to support these more risky businesses.

Applying Hybrid Capital Equity Content Assessment In Credit Analysis: Insurance Methodology

We apply compatible methodologies when assessing the capital strength of banks and insurers, while recognizing the different nature of business risk and regulation in the two industries. We also reflect different national regulators' varied regulatory practices.

Regulatory policy in the insurance sector is generally less developed than in the bank sector; thus, many insurance regulators look to banking regulators for guidance in establishing policy on inclusion of hybrid instruments, including securities with calls and step-ups, in regulatory capital. In some countries, from the U.K. to The Netherlands and to the regulators in some countries of the Gulf Cooperation Council, the combination of bank and insurance regulation under one roof (e.g., the Financial Services Authority in the U.K.) has facilitated a convergence of bank and insurance regulatory policy with respect to hybrid capital. Furthermore, outside the U.S., there is a trend toward more consolidated group supervision—-e.g., by 2012, we expect this to apply to the whole EU under the Solvency II Directive. Still, in other parts of the world, insurance holding companies are rarely formally regulated, unlike bank holding companies. Most hybrid issuance is now from holding companies to give the consolidated groups optimal financial flexibility.

When we rate a regulated insurance or reinsurance company, we take account of the risk of full, formal regulatory intervention and presumed wind-up of the institution. Consequently, the amount of hybrid capital allowable in our capital analysis of insurers and reinsurers can vary according to local regulatory practice as regards eligible solvency capital, though we are rarely more generous than the local regulators. (In jurisdictions where the insurance regulators have expressed no view on a specific hybrid capital instrument issued by an insurance group, Standard & Poor's establishes its own stance on likely regulatory policy with respect to the instrument.)

To better reflect the often significant regional variations in the nature of insurance regulation as well as the many local differences in the regulatory eligibility of diverse forms of capital, we have differentiated criteria in respect of our hybrid capital and double-leverage tolerances. We focus on two analytic variables that are used to establish appropriate tolerances for hybrid capital and for the proceeds of ordinary debt-funded double leverage–-that is, the extent to which regulators are likely to enforce structural subordination on a company-by-company basis, and also the local regulatory tolerance of debt capital in eligible solvency.

For this reason, in line with local regulatory practice and given the extraordinary force of structural subordination that prevails, capital credit may be given in the U.S., for example, for ordinary debt-funded double leverage whereby an insurance holding company raises conventional senior or subordinated debt and downstreams the proceeds of that debt as equity at the regulated subsidiary operating level. In such circumstances, the additional tolerance for "intermediate" hybrid leverage is normally constrained at a maximum of 15% of operating group total adjusted capital (TAC; plus 10% for "high" equity content issues) given the capital credit already allowed for debt-funded double leverage.

Meanwhile, in much of the rest of the world, regulators calculate insurance and reinsurance solvency on a fully consolidated group basis, and generally exclude all leverage and double leverage except that which is funded by eligible hybrid equity. Standard & Poor's analysts in most parts of the world outside the U.S. do not recognize equity content in their group capital analyses for ordinary or subordinated debt, and instead only allow capital credit for explicitly hybrid equity leverage, normally up to 25% of TAC for "intermediate" hybrid issues, or up to 35% of TAC for "high" issues. This difference in regulatory policy is also reflected in holding company notching where, for example, U.S. holding companies are normally rated three notches lower than the counterparty credit rating of the core operating companies in the group. A two-notch differential normally applies to European groups.

For capital models that are based on operating company statutory balance sheets, we deduct the excess over the double-leverage tolerances from TAC. For capital models that are based on consolidated GAAP balance sheets, we add qualifying hybrid capital to TAC, subject to the tolerances referred to in table 4. However, we include any hybrid capital issuance in excess of 15% in the numerator of our leverage calculations. We do not generally recognize hybrid issuance of operating companies (reflected also as hybrid capital in the relevant parent's consolidated financial statements) as such in our consolidated capital adequacy analysis (see table 4).

Table 4a

Maximum Tolerances For Double Leverage And/Or Hybrid Equity Usage

--Cases where enforcement of structural subordination is high and regulators allow holding-company debt to fund operating-company capital (e.g., U.S. and Bermuda)--		--Cases where enforcement of structural subordination is low and regulators exclude holding-company senior debt from group solvency capital (e.g., Europe and Canada)--	
Category	**Maximum tolerance**	**Category**	**Maximum tolerance**
Total double-leverage tolerance	Up to 45% of capital*	Total double-leverage tolerance	Up to 35% of capital*
Debt-funded double leverage	Up to 20% of capital*	Debt-funded double leverage	0%
'High equity content" hybrid tolerance (three-year mandatorily convertible)	Up to 25% of capital*	'High equity content" hybrid tolerance (three-year mandatorily convertible)	Up to 35% of capital*
Sublimit "intermediate equity content" hybrid tolerance	Up to 15% of capital*	Sublimit "intermediate equity content" hybrid tolerance	Up to 25% of capital*

Table 4a

Maximum Tolerances For Double Leverage And/Or Hybrid Equity Usage (cont.)			
'Minimal equity content" hybrid tolerance	0% credit	'Minimal equity content" hybrid tolerance	0% credit
Hybrid Ratios			
U.S.	Standard & Poor's qualifying hybrid/[U.S. GAAP (consolidated) capital + total hybrid + total senior debt]	Europe	Standard & Poor's qualifying hybrid/[group consolidated TAC (excluding hybrid) + regulatory qualifying hybrid capital]
Double Leverage			
U.S.	[Standard & Poor's qualifying hybrid + total senior debt + nonqualifying hybrid] / [U.S. GAAP (consolidated) capital + total hybrid + total senior debt]	Europe	Standard & Poor's qualifying hybrid / [group consolidated TAC (excluding hybrid) + regulatory qualifying hybrid capital]

*The definition of "capital" in regard to the maximum tolerance varies by region. In the U.S. and Bermuda, capital is defined as [U.S. GAAP consolidated equity + total hybrids + debt] with no adjustments to the reported numbers. In Europe and Canada, capital is defined as [total adjusted capital (TAC) + regulatory qualifying hybrids]. Note that TAC is a measure of adjusted equity capital and excludes debt. In Europe and Canada, the hybrid tolerance is higher (e.g. 35% versus 25% for high equity content) to normalize for the smaller denominator, which excludes holding-company debt.

Table 4b

Components Of TAC	
Reported shareholders equity/policyholder surplus	
Plus	Equity minority interests*
Plus	Equalization/catastrophe reserves*
Plus	Prudential margins included in reserves
Minus	Proposed shareholder dividends not accrued
Minus	Standard & Poor's impairment of goodwill
Minus	Other intangible assets
Minus	On-balance-sheet unrealized gains/(losses) on life bonds* ** (post tax***)
Plus	Off-balance-sheet unrealized gains/(losses) on investments other than life bonds* (post tax***)
Minus	Off-balance-sheet pension deficits (post tax***)
Minus	On-balance-sheet pension surpluses (post tax***)
Plus	Up to 100% of off-balance-sheet life value of in-force (post tax***)
Plus	Property/casualty loss reserve surpluses/(deficits) (post tax***)
Plus	Property/casualty loss reserve discount
Plus/Minus	Analyst adjustments
= ECA (economic capital available)	
Minus	Remaining goodwill after Standard & Poor's impairment
Minus	Investment in unconsolidated subsidiaries, associates, and other affiliates
Minus	Investments in own shares/treasury shares
Minus	50% deducted of off-balance-sheet value of in-force (post tax)
Minus	50% deducted of life deferred acquisition costs (post tax)
Minus	100% deducted of property/casualty deferred acquisition costs
Minus	50% deducted of property/casualty loss reserve surpluses
Minus	33% deducted of property/casualty loss reserve discount
Plus	Policyholder capital available to absorb losses

Table 4b

Components Of TAC (cont.)	
Plus/Minus	Analyst adjustments
= TAC before hybrid capital adjustments	
Plus	Hybrid capital (subject to tolerance limits)
Minus	Excess over hybrid tolerance
= Total Adjusted Capital	

*Where not already included in shareholders' equity. **Subject to fair value exception. ***Where tax effect not disclosed, use effective tax rate.

In the insurance sector, we continue to review a variety of prefunded contingent capital arrangements and, assuming acceptable security features, have viewed these as eligible hybrid equity up to 5% of the capital structure for investment-grade issuers. This 5% is a subset of the traditional 15% capital bucket. For example, a trust issues perpetual or long-dated pass-through securities, with the proceeds ultimately used to purchase eligible assets that reside in a Regulation 144 Trust. For these securities, the insurer has a put option giving it the right to put the insurer's preference shares having a liquidation value equivalent to the assets owned by the trust to a special-purpose entity. We would expect a trigger to be included in the securities, requiring mandatory exercise of the put if the insurer's credit strength falls below investment grade for these securities to be viewed as equity currently.

We would accept the instrument, when drawn, as equity subject to the guidelines of any hybrid security. As with other hybrid instruments viewed as equity, they must have an appropriate long-term maturity, cannot be funded with an auction-preferred mechanism, and cannot have any feature that would cause management to make them a short-term security.

Bond insurers

Our approach to the so-called monoline bond insurers differs somewhat from our approach to multiline insurance companies.

What is the equity treatment for hybrid securities issued by a bond insurance holding company, and is there a limit on the amount of hybrid securities that can be part of its capital structure?

In the case of bond insurers, securities with "high" or "intermediate" equity content receive 100% equity treatment subject to limitations, while "minimal" equity content issues receive zero equity treatment and are treated as debt.

There are two ratios in our bond insurance rating criteria that limit the amount of hybrid securities that can be part of an insurers' capital structure:

- Holding company hybrid security tolerance ratio: Hybrid securities are limited to a maximum of 15% of the holding company capital structure. For this ratio, hybrid securities exclude contingent capital facilities. The formulaic expression of the hybrid security tolerance ratio for a bond insurance holding company is: hybrid securities/(capital + hybrid securities); in this ratio, capital is defined as shareholder equity plus long-term debt.
- Holding company total hybrid tolerance security ratio: Hybrid securities plus contingent capital facilities cannot exceed 20% of a holding company's capital structure. Contingent capital facilities are included in this calculation even though they may be "issued" by a subsidiary. The formulaic expression of the total hybrid security tolerance ratio for a bond insurance holding company is: (hybrid securities + contingent capital)/(capital + hybrid securities +

contingent capital).

If a bond insurance holding company exceeds its tolerance ratios, how would the amount that exceeds the tolerance ratios be treated?

Analytical treatment will differ in situations where a holding company exceeds tolerance ratios:

- If the level of consolidated hybrid securities exceeds the tolerance ratios due solely to contingent capital facilities, the overage of the contingent capital facility would be treated as neither debt (for holding company capitalization analysis) nor equity (for operating company capital modeling exercise).
- If the level of consolidated hybrid securities exceeds the hybrid equity tolerance ratio but not the total hybrid equity ratio, the overage of the hybrid equity tolerance ratio would be treated as debt (for holding company capitalization analysis) and the operating insurance company would receive full credit for any contingent capital facility, subject to limitations imposed on the insurance operating company. For example, if a holding company had $3.2 billion of capital, the hybrid security tolerance limit would be $565 million and the total hybrid security tolerance limit would be $800 million. If there were $650 million of "high" or "intermediate" equity content hybrid securities outstanding, only $565 million would receive appropriate equity treatment and the remaining $85 million would be viewed as debt. The presence of a $200 million contingent capital facility would not exceed the total hybrid security tolerance limit.
- If the level of consolidated hybrid securities exceeds the limit due to the combination of contingent capital facilities and other hybrid securities, the amount of hybrid security tolerance consumed by the contingent capital facility would first be evaluated. The remaining hybrid security tolerance cushion would be measured against any remaining hybrid securities to determine the amount of equity treatment for the hybrid securities. For example, if a holding company had $2.8 billion of capital, the total hybrid security tolerance limit would be $700 million. The presence of a $600 million contingent capital facility would leave a cushion of $100 million. If there were $400 million of "high" or "intermediate" equity content hybrid securities outstanding, only $100 million would receive appropriate equity treatment, and the remaining $300 million would be viewed as debt.

What effect does the use of debt and hybrid securities issued by a holding company have on the funding of an operating bond insurance company's capital?

Bond insurance holding companies typically issue debt or equity securities to fund the capital needs of their bond insurance subsidiaries. Once the proceeds from these securities are downstreamed to the operating insurance company, they are viewed as equity for capital adequacy purposes. However, we have criteria that limit the amount of financial leverage a holding company can employ. In determining a holding company's financial leverage, we consider the amount of long-term debt (including hybrid securities over the tolerance ratio) and equity (including hybrid securities under the tolerance ratio). The capitalization ratio is defined as: long-term debt/(long-term debt + equity). For bond insurance holding companies, a capitalization ratio of 20% or less is thought to be appropriate.

What effect does the establishment of a contingent capital facility have on the various insurance operating company capitalization ratios?

When looking at a bond insurance operating company's capital structure, the overall tolerance for contingent capital is 20% of total adjusted capital across all rating categories. Total adjusted capital is defined as statutory surplus plus contingent capital. The formulaic expression of the contingent capital tolerance ratio for an operating insurance

company is: contingent capital/(statutory capital + contingent capital).

If a bond insurer had statutory capital of $3.6 billion, contingent capital would be limited to $900 million. Even if a contingent capital facility totaled $1.0 billion, there would only be recognition of equity content for the $900 million in capital adequacy testing.

Any contingent capital in excess of 20% of total adjusted capital will not be considered in capital adequacy modeling. In addition, these types of capital markets instruments are a component of the reliance-on-soft-capital ratio, which should not be greater than 33%. Fees paid on the entire amount of the contingent capital facility are included as interest expense in the evaluation of the holding company's GAAP interest coverage ratio. The GAAP interest coverage is defined as: (GAAP pretax operating income + interest expense)/interest expense.

In terms of the equity treatment a bond insurer receives in Standard & Poor's capital adequacy model for contingent capital structures, does it matter what type of security would be issued once the bond insurer exercises its put?

First and foremost, the security issued by the bond insurer once it exercises its put must be viewed as equity by the insurance regulator for us to consider recognizing any equity content. Any security viewed as debt does not add to statutory capital, and therefore will receive no recognition of equity content in the capital adequacy model. To date, preferred stock and surplus notes have been the only put securities for which the bond insurers have received any recognition of equity content in the capital model, as regulators view these securities as equity. A contingent capital structure in which the insurer has the option to issue either surplus notes or senior notes once it exercises its put option will receive no recognition of equity content in the capital adequacy model. However, choosing to issue surplus notes would add to statutory capital, while opting to issue senior notes creates a liability and does not add to statutory capital.

Issue Features

In this section we focus on some selected instrument features that tend to play an important role in our determination of equity content. It bears repeating, though, that while detailed assessment of a specific hybrid capital security is obligatory to classify the security by its relative equity value, we ultimately take a holistic approach. Also, it is rare that the detailed features of a hybrid instrument have a material impact on an issuer's overall creditworthiness.

Issue Features: Optional Deferral

We believe issuers' option to defer dividend or interest payments under the terms of most hybrid capital instruments affords significant equity benefit. Such a feature provides issuers with the ability to conserve cash at a time of financial stress, without triggering a legal default.

The longer a company can defer payments, the better. An open-ended ability to defer until financial health is restored is best. As a practical matter, we believe the ability to defer dividend payments for up to five years is most critical in helping to prevent a general default. If the company cannot restore financial health within that period, it probably never will. The ability to defer payments for shorter periods may be valuable, but equity content diminishes quickly as

constraints on the company's discretion increase. We give no more than "minimal" equity content for instruments where the maximum deferral period is less than five years.

Issue Features: Mandatory Deferral

Certain securities have mandatory triggers that force deferral of distributions, conserving cash for a company that is experiencing reverses in its business or funding capabilities. With the use of mandatory triggers, concerns about management's reluctance to exercise the right to defer are avoided. When triggers are set at a level we would equate with the company possibly exercising its right to optionally defer payments, instruments typically warrant "intermediate" equity content, providing they are adequately equity-like in other respects.

When triggers are set at a level close to the company's current rating level (i.e., within two or three rating notches of the current rating), these securities can support the current level of credit quality, and thereby potentially qualify for our "high" equity content designation, providing they are adequately equity-like in other respects. Obviously, though, investors are taking substantial risk--well beyond the issuer default risk--and this risk is reflected in relatively low ratings on the securities themselves (see section "Rating The Issue: Deferral").

On the other hand, we have been concerned that these benefits could be offset by exposing the company to negative market responses. Such "high" equity content instruments may not work as intended--especially if investor reaction to payment deferral is very negative. That concern has become more pronounced in light of recent mortgage-related capital market turbulence, which has underscored the extent to which "headline" factors can dramatically affect financial institutions' (including insurance companies') funding flexibility, whatever the state of credit fundamentals otherwise.

We believe that for companies that are confidence sensitive--such as financial institutions (including insurance companies) --deferrals driven by mandatory triggers could result in more harm than the benefit realized by reduction in debt service obligations. Accordingly, we do not consider hybrids with tight mandatory triggers as eligible for "high" equity content for confidence-sensitive issuers.

More broadly, even for issuers in less confidence-sensitive sectors, if the triggers halt payment while the company is still far from being incapable of making the payments, the benefits of reduced debt service would generally be small relative to the potential headline risk and investor reaction, such as where the trigger threshold is at a level where the company is investment grade. The company could pay a price in terms of its financial flexibility. (Alternatively, the company could be motivated to avoid the deferral by retiring the issue.) We recognize these risks associated with mandatory deferrals in qualitative aspects of our analysis, no matter how the security is treated for ratio calculation purposes.

Specific features of the security could mitigate or heighten the risk--and recent proposals for securities structured to achieve high equity content have included features that are pertinent.

In this regard, the trigger must not be opaque or overly complex. It can be defined by a downgrade or breach of various financial benchmarks that serve as a proxy for credit quality. Any metrics used in defining the triggers need to

be straightforward and highly transparent. But they also must be customized for the specific context of the issuer. Complexity may be hard to avoid, especially given the interplay of business risk with financial indicators of credit quality. (This can be especially challenging in sectors such as regulated utilities, where the business risk profile plays an outsized role.)

Some structures shift deferral risk from the investors by introducing a financial counterparty to stand in for the company at the point of deferral. By effectively dealing with the direct risk to investors, market reaction might arguably be muted. Still, the need for third-party intervention could produce similar negative responses. Moreover, the relationship of such a counterparty vis-à-vis the issuer could give it special clout to avoid or undo the cash savings of any deferral.

Issue Features: Maturities/Scheduled Maturities

We apply a common standard regarding remaining time to maturity to all investment-grade financial institutions (including insurance companies) and corporates, in all regions. Under this standard, we require a hybrid capital issue to have a remaining term of at least 20 years to receive our "intermediate" or "high" equity content designation--unless the issue mandatorily converts into another type of equity-like issue in a shorter time frame. Other things being equal, we view undated (i.e., perpetual) and very long-dated securities as superior instruments from the perspective of equity content. But, as a practical matter, we believe an issue having a remaining life of 20 years or more is sufficiently permanent to warrant our "intermediate" equity content classification when other issue features are consistent with this designation. In the case of financial institutions, we do not use the remaining term of the issue-–beyond 20 years--to differentiate between "intermediate-strong" and "intermediate-adequate" issues. (These subcategories are not used with insurance companies.) Rather, such differentiation would reflect other issue features, such as the flexibility of payments.

"Intermediate" or "high" issues with initial maturities of greater than 20 years that subsequently fall to less than 20 years of remaining maturity are reduced to "minimal" equity content at that point, and as such do not receive any formal equity treatment in our calculation of financial ratios. There is no amortization period. Nevertheless, as a qualitative matter, we are still sensitive to the benefits afforded by such issues–-for example, the deferability of ongoing payments-–even where the "intermediate" or "high" equity content determination is not warranted because the condition of a long remaining term is no longer met.

For speculative-grade issuers, where debt maturities are typically far shorter than with investment-grade credits--and where, more broadly, the scope of our analysis necessarily extends fewer years--we do not apply the same standard. Here hybrid capital issues with maturities shorter than 20 years can still achieve the "intermediate" or "high" equity content designation, assuming other features make this appropriate. Generally, 15 years of remaining life suffices for issuers rated in the 'BB' category, and 10 years for issuers in the 'B' category.

Some issues have so-called "scheduled maturities," where the issuer is required to undertake all "commercially reasonable efforts" to refinance the issue. If the issuer is unsuccessful at refinancing the issue, it must repeat the attempt periodically. We treat scheduled maturities as effective maturities, even where accompanied by legally binding

replacement provisions. The latter do not mitigate scheduled maturities, which still expose the issuer to a sharp increase in financing costs if its credit spreads have widened. (We lower the issue rating to 'C' when it is not redeemed at the scheduled maturity as a result of the issuer's financial distress.)

(Note: We announced the current standards for minimum remaining terms and scheduled maturities on Feb. 20, 2007. Previously, we had different remaining-term standards in different sectors, and did not view scheduled maturities as effective maturities where there was a legally binding replacement provision in place. We stated that our new approach would not be applied to then-outstanding issues or to any then-pending issue where we had already reviewed the terms. Such preexisting issues of banks will continue to receive unchanged recognition of equity content until five years are remaining until maturity, and the equity content will then be amortized down at 20% per year. Such preexisting issues of insurance companies will continue to receive unchanged recognition of equity content until 10 years are remaining, and equity content will then be amortized down at 20% per year. We attribute no equity content when there are five years or less to maturity. Permanence of the instrument remains an essential and enduring criterion for equity content.)

Issue Features: Call Provisions

The ability to call can give reason for pause, since it puts into question whether the issue will remain outstanding beyond the initial call date. However, where an issue contains a call provision, the issuer has the option to redeem the issue, but no obligation to do so. Importantly, there hasn't been any significant market stigma associated with an issuer not calling an issue when there is no step-up. From a credit perspective, it might even be advantageous for the company to retain the flexibility to exercise a call provision—-to take advantage of issuing a similar equity-content hybrid at lower cost if the opportunity presents itself. Thus, typically we have not placed much emphasis on the inclusion of a call provision, especially if the instrument is truly low-cost-—such as with tax-deductible instruments-—and, therefore, shouldn't make the company feel pressed to refinance. However, we consider a hybrid with a longer period to the call date to be more equity-like than one with a shorter period to the call, all else being equal. This reflects the longer period that the former will remain in the capital structure on an obligatory basis.

As long as we believe the issuer intends either to keep the issue outstanding or refinance it with the proceeds of another issue warranting comparable equity content, we do not view the call date as an effective maturity. Still, in the case of unregulated issuers, we are highly skeptical of issuers' intentions in cases where the initial call date is less than five years after issuance: We generally do not give more than "minimal" equity consideration for issues in such cases. When a discrete call date is followed by more than five years during which the issue may not be called, an RCC can mitigate the unregulated issuer's incentive to call. If an issuer is regulated and we believe the regulator will ensure that any refinancing would not be credit-harming, we generally do not penalize issues that may be called earlier than the fifth anniversary or with discrete call dates.

Issue Features: Step-Ups, Resets, Remarketing

We view call provisions that are coupled with step-ups in the dividend/interest rate-—or with other mechanisms that

can likewise increase the cost to the issuer--very differently from simple calls. Where call provisions are combined with material step-ups, they are specifically designed to motivate calling of the issue to avoid the step-up. The idea, obviously, is to convince the market to price the issue as if the term were no longer than the period to the initial call—rather than until the final maturity. Because of investor expectations, the issuer could face reputational risks if it were ultimately to choose not to call the issue (which investors, for their part, have referred to as "extension risk"). This could pressure the issuer to call, even when it were not economically or otherwise optimal for it to do so. Clearly, this is incongruent with the notion of permanence that underlies equity content.

Currently, we view a step-up in the dividend/interest rate of 25 bps or less as not material, and thus not requiring any particular offsetting feature to preserve equity content.

In typical interest rate environments, we view step-ups in the range of 26 bps-100 bps in the case of issues of investment-grade issuers as material, but still moderate. At present, 100 bps is the de facto regulatory limit for banks, in most cases, as well as the norm for investment-grade issuers in most markets. (Under our criteria, we allow up to 200 bps for noninvestment-grade issuers, given that the initial financing cost is relatively higher.) Here, notwithstanding the disincentives, we view it as at least possible that the issuer would choose not to refinance if circumstances were unfavorable: in that event, the resulting higher rate would not be onerous. Still, to preserve the notion of permanence and thus qualify for "intermediate" or "high" equity content, we generally require issues of unregulated issuers with moderate step-ups to have legally binding RCCs. The RCC can restore sufficient assurance of permanence by stipulating that any refinancing be with proceeds of a similarly equity-like issue.

In some cases, bank and insurance regulators accept step-ups set at 50% of the initial credit spread of the issue, as defined. Where regulators have explicitly approved such an approach, we would generally view the step-up as moderate. Although if the step-up appears to us to be onerous (e.g., seemingly reflective of a temporary spike in market pricing), we could still conclude it is not consistent with equity content. Outside of regulated sectors, we would be open to flexible approaches to determining the step-up, but would need to be convinced that the results would not be punitive for the issuer.

Some instruments provide for a step-up in the coupon if the company issues similar capital within a specified time period with a higher coupon. This type of "make-whole" reset burdens the issuer with higher payments when it is likely to be under stress and increases the aversion to issue more capital when it might otherwise be prudent.

We are less concerned about explicit replacement provisions for callable issues of regulated entities, which include banks and bank holding companies in most countries, European insurance groups, North American insurance operating companies, and U.S. broker dealers. In this context, we treat such issuers as U.S. insurance holding companies, regulated utilities, asset managers, securities exchanges and clearinghouses, and unregulated finance companies as effectively unregulated. (Note that while unregulated finance companies require an RCC to offset a moderate step-up, the application of equity content treatment generally follows the methodology applied to regulated financial institutions. See section "Applying Hybrid Capital Equity Credit Assessment In Credit Analysis: Nonbank Financial Institutions.")

In regulated sectors, issues with moderate step-ups but lacking legally binding RCCs qualify for "intermediate" equity

content (but not "high" equity content), provided that the issues meet the standards for "intermediate" equity content in other respects. The spirit of financial institution regulation is to maintain a sound level of capital. Consequently, the oversight powers of the regulators generally include the authority to prevent a call and/or force the issuance of other equally strong capital as a replacement. This, combined with our understanding of the incentives that generally drive financial institutions' (including insurance companies') financial policies, ensures permanence. (Although regulators may in some cases focus only on whether minimum solvency requirements are met, the regulatory authority remains more important analytically, and the presence of a replacement provision would only provide incremental comfort). Under our criteria, when an RCC is not required, we do not look at the RCC expiration date or the other terms as defining the effective maturity or as otherwise being detrimental to equity content. Although we generally look to the regulator to ensure replacement where appropriate, where regulators allow short-dated calls combined with step-ups (we define short-dated as less than 10 years), we would require a legally binding RCC to cure the overwhelming lack of permanence even if the national regulator classifies the issue in question as regulatory capital. On the flipside, where the regulator objects to a step-up or other feature, such as a step-up before year 30 for U.S. bank holding companies, we generally follow that more stringent regulatory approach.

For regulated and unregulated issuers alike, where issues have step-ups of more than 100 bps (or 200 bps in the case of speculative-grade issuers), we view the call/step-up date as the effective maturity of the issue. Also, we do not generally classify securities with call and step-ups of less than five years from the date of issuance as "intermediate" or "high" equity content even if the securities have an RCC. We believe such a short noncall period puts in question the issuer's intentions.

Other repricing mechanisms

We increasingly are skeptical about features that seemingly try to obscure their purpose of provoking the issuer to call the issue. Thus, many long-dated equity hybrids have a fixed rate for the first 10 years, then convert to a variable rate. That variable rate may incorporate a penalty feature, other than a step-up, that is designed to motivate the issuer to call the issue: We then likewise question the permanence of the issue.

One example of such a penalty involves the payment of the highest of various rates that could fluctuate relative to each other. We have accepted as consistent with equity content some approaches that employ two or three rates tied to points on the yield curve, the highest of which determines the instrument's yield for each dividend period. Because the yield curve is normally upward-sloping, we presume the rates will not fluctuate--rather, that the long-term benchmark will pertain.

However, using a long-term benchmark for a security that resets at short intervals would itself be a penalty if not appropriately adjusted. Any long-term benchmark rate must be modified to make it economically comparable with a more appropriate short-term benchmark rate, to eliminate the penalty aspect. For example, the applicable rate could be a percentage of the long-term benchmark rate or "x" bps below the benchmark rate.

We presume that use of a long-term benchmark, on its own or in combinations, is an inherent penalty rate--unless there is an adequate pricing modification that equates it with the short-term benchmark rates ordinarily used for variable-rate debt. We will evaluate securities that incorporate such pricing modifications to a long-term benchmark rate individually. Our acceptance of the specific modified rate will require a rigorous statistical analysis of whether the

modification is adequate. Such analyses should be provided by the structuring bank.

RCCs can remedy a penalty-rate situation, to a point. We are sensitive to the size of the penalty involved, as noted above. If the penalty is greater than moderate (typically, if it exceeds 100 bps in investment grade), we do not recognize equity content even where an RCC is in place. Because of the difficulty in calculating the penalty associated with use of long-term benchmarks, given the constantly fluctuating variables involved, we cannot presume the penalty is 100 bps or less. Therefore, RCCs are insufficient to remedy this feature, without the aforementioned modifications and accompanying statistical analysis.

Other repricing mechanisms that we view as greater than a moderate penalty, and thus inconsistent with equity content, even with the presence of an RCC and/or regulatory oversight, include the following:

- Where there is a reset based on the then-relevant credit spread of the issuer—rather than on the issuer's initial credit spread—such that any deterioration in perceived credit quality would be reflected in a higher cost to the issuer;
- A reset to a floating rate from a fixed rate, but with a pre-established floor, is generally deemed inconsistent with equity content because calling and refinancing the issue may be less expensive than leaving the issue outstanding. However, an exception is sometimes made for instruments that are treated as Tier 1 capital of a regulated financial institution, if we are convinced that the reset mechanism does not represent more than a moderate penalty;
- Discrete calls that are followed by extended periods when the issue is not callable. For unregulated issuers, where that period is longer than five years, an RCC is required. The lengthy period during which the issuer must live with the current terms creates an incentive to redeem on the call date. This mechanism is especially onerous when combined with a coupon step-up because the issue is then subject to the penalty rate for an extended period; and
- Incentives to call that are qualitative, fluctuate, or are otherwise difficult to value will be assessed case by case. Our policy is to view almost every incentive or penalty, when combined with a 100-bps coupon step-up, as problematic, since the coupon step-up is already at the ceiling of the acceptable range for a moderate penalty. Examples could include a loss of favorable accounting treatment, higher cash flows, higher after-tax cost, or loss of peripheral tax benefits.

We do not, however, view the reduction of equity content to "minimal" as increasing the incentive to call, given the qualitative benefits we continue to attribute to issues with minimal equity content, and the paradoxical circularity of that logic.

Under the terms of some initially convertible issues, at some point the issue becomes nonconvertible and the rate increases—supposedly to the rate that would have been in place if the issue initially had not been convertible. We must assess each such case to determine if the increase is indeed consistent with the loss of the option value, and whether the increase in interest expense should be viewed in the same light as a step-up.

Issue Features: Replacement Capital Covenants

An RCC is a legally enforceable commitment by the issuer to replace a hybrid capital issue upon its call, redemption, or repurchase with an instrument having specified characteristics. To be effective in helping to preserve credit quality, the RCC must commit the issuer to replace a hybrid security, if it is called, redeemed, or repurchased, with an instrument having similar equity-like characteristics in terms of payment flexibility, degree of subordination, and permanence. In July 2005, First Tennessee Bank N.A. first demonstrated the feasibility of providing a legally binding

replacement clause when it made a "declaration of covenant" in connection with its preferred stock issuance. The covenant favors holders of the bank's covered debt. Where appropriately structured, an RCC can alleviate our concerns regarding the permanence of an issue having a call provision that is coupled with a moderate step-up: This is the only situation where we have any specific requirement for an RCC under our hybrid capital framework.

With respect to limitations on refinancing, covenants contained in the issue itself have dubious efficacy. After all, investors in the hybrid issue are likely to be indifferent to what the credit quality of the issuer is once their issue has been retired. The RCC addresses this by being structured for the benefit of holders of certain designated "covered" long-term debt of the issuer, giving these debt holders the right to pursue remedies against the issuer if terms of the covenant are not satisfied. Thus, in the legal sense, the replacement covenant is a separate agreement, not part of the hybrid issue indenture.

Beneficiaries of the covenant should be comprised of debtholders with significant amounts outstanding (excluding, of course, any amounts held by the company or its affiliates). If the RCC runs to a specific covered debt issue, the RCC should provide for transfer to another issue upon maturity or repayment of the original covered debt issue. Covered debt is preferably unsecured (senior or subordinated), since unsecured debt holders would ordinarily have the greatest incentive to enforce the covenant. However, even secured debt holders can be expected to act to enforce the RCC on their own behalf-—and we would rely on that in the absence of appropriate unsecured issues to serve as the covered debt.

In addition, the replacement issue should equal at least the amount redeemed. There is one exception: As a practical matter, we take a mix of 50% common equity and 50% debt to be an acceptable alternative to refinancing with 100% hybrid capital, for issues receiving "intermediate" equity content. (Common stock here refers to equity issuance with cash proceeds that can be used to partially refinance the hybrid, not retained earnings or equity issued as payment for acquired assets.) This is based on the rough generalization that the positive impact of common on the company's credit profile is double that of intermediate instruments. We do not generally consider less than full replacement by another hybrid capital issue to be adequate.

Replacement instruments need to warrant at least the original equity content designation ("intermediate" or "high"), in terms of payment flexibility and subordination. It suffices, though, for the term to extend only through the issue's initial effective maturity. In this regard, we recognize the full measure of equity content only so long as an issue has at least a 20-year remaining life. So, in this respect, a 20-year replacement issue would not achieve recognition of equity content received upon the original issuance. While issuing a new security that has limited equity content from day one may not be intuitive at first glance, the effect is identical to all cases where the original is not called. And, the alternative--that no such replacement was to occur—-would imply that no equity content should be granted in the first place. To illustrate: A 30-year security gets equity treatment for only 10 years. (The reasons for this are the company will enjoy a substantial period during which it can defer payments, and the payment of principal is still far enough in the future that it hardly factors into the current rating.) In effect, all nonperpetual hybrids that remain outstanding until maturity will exist for 20 years during which they no longer receive recognition of equity content (the 20 years prior to maturity). If a 30-year security were replaced in year 10 with a new 20-year instrument, that would replicate the initial instrument and be consistent with recognition of equity content for the initial 10 years, and no equity content thereafter.

Finally, the new replacement capital should be raised well in advance of the planned call to avoid incentives to redeem early and bypass the refinancing requirements.

Although RCCs can alleviate concerns regarding the permanence of the issue, they can give rise to new concerns if they are overly rigid and detailed—given the potential for unintended, unforeseeable consequences. For our criteria, issuers can incorporate flexibility in the choice of replacement securities. It is satisfactory for the covenant to commit in general terms that the issue be replaced with a security having similar equity-like characteristics. Moreover, we view as acceptable "carve-outs" that would excuse the issuer from the replacement obligation under certain circumstances, as follows:

- There is no material debt outstanding to serve as covered debt.
- Change of control. The issuer's undergoing a potentially radical transformation of this type is a form of "event risk" that we typically don't factor into either our issuer credit ratings or issue ratings.
- Tax law changes. Without tax deductibility, the cost/benefit of certain equity hybrids changes significantly, and the issuers should be able to call them (or not replace them with hybrids when they have the right to call for other reasons). While this possibility raises a cloud over the permanence of the hybrid, the risk can be assessed through understanding the potential for tax-law changes. Indeed, we would not initially recognize equity content in hybrid issues that faced significant tax risk, given both the potential cost penalty and/or the incentive for the issuer to somehow get out of the security.
- Market disruption. See below.
- Credit quality improvement subsequent to the time of issuance that obviates the need for the hybrid to support rating. The potential measures of credit quality improvement are varied. Any rating upgrade above the rating level at the time of issuance would provide prima facie evidence that the security is no longer needed. Alternatively, we would be willing to consider approaches that relied on indicative financial ratios instead of ratings. Another acceptable indication, albeit indirect, would be the consent to terminate the covenant by holders of the majority amount of covered debt outstanding--excluding amounts held by the issuer or its affiliates.
- Rating-agency criteria change leading to a reduction in the equity content for the security originally issued. Some covenants call for replacement with whatever security would qualify at that time. But since it is impossible to predict in advance what, if anything, would qualify, it is unreasonable to expect replacement on such an open-ended basis. (This carve-out would have to exclude criteria refinements of an incremental or technical nature, since such changes would not justify the issuer's jettison of the hybrid.)

While we accept the aforementioned termination events in the RCC, if one of the termination events were to occur, such that the provisions of the RCC were no longer binding, we would then cease to view the issue as warranting recognition of equity content, given the then lack of permanence. Where the provision is structured to allow the issuer to reelect the obligations of the RCC, and if it were to opt to do so, recognition of equity content could continue to be appropriate.

In countries where RCCs have no legal basis or are otherwise not practicable, such as under Japan's current legal framework, we would consider accepting a statement of intent in its place, providing such statement of intent was straightforward, visibly communicated to the market, was broadly consistent with the issuer's financial policy, and if the step-up was moderate and at least 10 years from the time of issuance. In Japan, the law requires that, for an agreement made for the benefit of a third party to be enforceable, the beneficiary must "express intent to enjoy such right." We believe requiring issuers to solicit such consent from bondholders would be cumbersome. Moreover, such

consent would likely become ineffective once the bonds are traded or transferred to a new investor. Similarly we would consider accepting a nonbinding statement for any issuer with no eligible covered debt.

Issue Features: Market Disruption Events (MDEs)

The MDE concept initially arose in the context of mandatory alternative-payment mechanisms (APMs/ACSMs; see below). The MDE addressed the risk that a company faced legal obligations to pay with proceeds of common equity issuance, but was unable to execute its obligations due to market disruption. Scenarios such as the closure of financial markets after Sept. 11, 2001, were the focus of this concern. The MDE allowed the company to defer its obligations until the disruption passed.

In the context of RCCs, MDEs also provide flexibility in the event of such "force majeure" scenarios. If an issuer has redeemed an outstanding hybrid issue (or legally committed itself to redeem) in a way that requires replacement, it must be allowed to defer that replacement as long as there is no practicable possibility of doing so. It should go without saying that it is unacceptable for such provisions to effectively create an opportunity for an issuer, upon an MDE, to redeem the hybrid and completely negate the replacement obligation.

The definition of such disruption needs to be very clear and objective, and limited to scenarios that are remote. Poor economic conditions, depressed financial markets, distressed pricing for the company's securities, and so on do not fit the definition of an acceptable MDE as we conceive it.

Most issues with RCCs provide for the replacement securities to be issued before the call and before serving redemption notice to bondholders. The proceeds of the new securities are meant to be used to fund the call. Accordingly, in such cases, the MDE provisions are irrelevant.

Issue Features: Dividend Stoppers, Look-Backs, And Pushers

Many types of hybrid capital instruments include so-called dividend stoppers, whereby if there is an optional or mandatory deferral of dividends/interest on the hybrid issue, the company is prohibited from making payments on any pari passu or more junior issues--including making dividend payments on common stock--until the arrearage, if any, has been cured. We generally view such a stipulation as a neutral factor from a credit perspective. On the one hand, eliminating both the common dividend and the hybrid payment maximizes the overall cash conserved. On the other hand, the link between the two may increase the reluctance of the issuer to forgo paying on the hybrid. Indeed, in cases where shareholder expectations or tax considerations (for REITs) increase the reluctance to suspend common dividends, omitting the dividend stopper could significantly increase the issuer's willingness to defer payments on the hybrid issue. This could enable a REIT's hybrid instrument to merit intermediate equity content, assuming other terms meet Standard & Poor's criteria. In general, the presence or absence of a common dividend stopper is not essential to our recognition of equity content.

Some instruments incorporate so-called look-backs, which we view as detrimental from a credit perspective. In these instruments, the right to optionally defer applies only after a period of no share repurchases or payment of common

dividends. The main point of deferrable payment securities is to accommodate a company that has a crisis and needs to save cash. Look-backs constrain this flexibility, as a practical matter, if the company had recently paid a dividend or repurchased any stock.

The details of the look-back provision dictate the extent of the potential problem. For example, does even the repurchase of a trivial amount of stock in conjunction with an employee option plan violate the look-back? Is the look-back period a quarter? Six months? One year? How do the frequency and juxtaposition of common and preferred dividend payment dates affect the possible delay?

The existence of a look-back that could impose a delay of one or more years would disqualify a security for our "intermediate" equity content category. (In the case of hybrid issuers that are speculative grade, even a potential delay of six months would rule out "intermediate" equity treatment.) Importantly, even where a look-back period is shorter and does not in itself disqualify the security, the potential for delay is still problematic--and, in combination with other features of the security, can affect its equity content categorization.

With respect to mandatory-deferral instruments, look-backs (sometimes termed "pushers") undermine the nondiscretionary aspect of the deferral. The company can choose to short-circuit the deferral by paying a paltry common dividend, for example. Such issues would, therefore, never qualify for our "high" equity content category.

Issue Features: Alternative Payment Mechanisms/Alternative Coupon-Settlement Mechanisms (APM/ACSM)

Optional deferral

Certain hybrid capital instruments combine optional deferral with a requirement that the company, at some point following the initial deferral, issue common stock, more of the same hybrid issue, or some other hybrid security, and utilize the proceeds to make up the arrearage and resume payments. Such mechanisms are variously referred to as APMs or ACSMs. We believe such a requirement significantly undermines the value of the optional deferral provision. The prospect of having to sell even a small amount of additional securities at a point when their pricing would likely be depressed could well serve as a disincentive for the company to defer in the first place.

Therefore, when such a requirement becomes effective within five years of the initial deferral, we would generally view such an instrument as warranting "minimal" equity content under our framework. (The base five-year requirement has long been our standard for an interval when the company can reasonably be expected to effect a turnaround, if it is to do so. We would not be as concerned about a requirement to issue shares that only becomes effective beyond five years: Such a requirement is unlikely to be a significant consideration for management when first weighing the possibility of deferring.)

Nevertheless, we would make an exception--and view the issue as compatible with "intermediate" treatment, depending on our holistic view of the instrument--if doubts about the company's willingness to defer were addressed by appropriately structured mandatory deferral triggers, thereby removing discretion from management (see below).

We would also make an exception where all three of the following conditions were met:

- Prior to five years, there is no requirement to issue additional securities unless hybrid payments are resumed. In this way, management retains some control of the timing of the capital raising.
- Before five years of deferral have elapsed, the additional common shares that are required to be issued to meet the dividend or interest requirement are limited to a relatively modest amount: for corporate and other unregulated issuers, no more than an aggregate of 2% of the total number of shares outstanding during the period the deferral continues. This mitigates concerns about dilution avoidance as a motive weighing on management. (Note: out-of-the money warrants to purchase common shares could be used as an alternative to directly issuing shares. This may be marginally more acceptable to management because the share price would have to appreciate before the warrants were exercised. Nevertheless, the same tight limit on the number of shares covered by the warrants would still be appropriate. In the case of certain regulated financial institutions, we have accepted what is sometimes a looser standard--warrants capped at 2% of market value, rather than 2% of shares outstanding.)
- The company has the option of issuing more of the hybrid or of another hybrid, and if it does so, the company is required to issue no more than 25% of the initial principal amount. This provides further assurance about dilution concerns, since the company will have an alternative that could well be seen as more attractive than common stock issuance. Moreover, there will be protection against the company's being burdened by a substantial amount of new obligations with uneconomic terms.

Direct allocation of additional hybrid securities, commonly referred to as "PIK payment," to the initial hybrid investors (requiring no new market issuance) would be even less problematic, at least when the basis of valuation is the nominal value as opposed to the market value.

Mandatory deferral

In certain instruments, an APM/ACSM-type mechanism is coupled with a mandatory deferral provision. For example, some issues define mandatory deferral triggers in terms of financial tests, such as the following:

- Cumulative consolidated net income for the two half-year periods ending six months prior to the coupon date must be less than zero; and
- Adjusted consolidated shareholders' funds must decline by 10% or more during the four half-year periods ending six months prior to the coupon date; and
- Six months after the prior two triggers have been activated, total adjusted capital (including mandatory convertibles and/or hybrid securities) must have declined by more than 10% during the preceding five half-year periods.

However, with the breach of these conditions, the issuer has the option to issue common stock or other specified securities before the payment date-–in sufficient amount to fund the payment owed, or, in other cases, in sufficient amount to offset the decline in capital–—and thereby avoid the payment deferral. We believe such an optional capital-raising feature undermines some of the equity benefit of the mandatory deferral provision. We see a risk that in cases short of financial distress, companies might succumb to investor pressure to utilize the capital-raising option—even if, from a credit perspective, the company's capital markets access would best be utilized for other purposes, or conserved. Lest there be any doubt, some companies have actually made explicit "best endeavors undertakings," in which they state in the issue offering materials that they would always undertake to raise fresh capital as needed to avoid a deferral. In other instruments, there is not an option, but rather a contractual requirement to undertake the sale of common stock or other equity-like issues immediately upon the breach of defined financial tests.

We have accepted such provisions as consistent with "intermediate" equity content, but not with "high" equity content. To warrant the "high" equity content designation, no forced or "best efforts"–based (or even optional) settlement of

mandatorily deferred amounts must be allowed to take place until the earlier of five years from the initially scheduled payment date or the point at which the breach is cured. For both "intermediate" equity content issues, there must be a prohibition against repurchasing the settlement currency (other than payment-in-kind at face value) extending at least 12 months from the cure date. Otherwise, through share repurchases, the issuer could well thwart the cash conservation on which our determination of equity content relies. (See section "Equity Content Categories.")

Issue Features: Conversion Into Common Stock And Share Settlement

We do not recognize equity content, per se, for a provision whereby an issue can convert into common stock at some premium, at the option of the investor. While, historically, many such issues have ultimately converted, we view this feature as a positive contingency. That is, if the company fares well and this is reflected in significant share price appreciation, then conversion would likely occur. (In theory, if the share price had appreciated well above the conversion price, there was only a short time remaining before the issuer could call the issue and thereby force conversion, and we were confident the issuer intended to do just that, we could then view the situation as warranting recognition of some amount of equity content. However, we have been reluctant to formalize this approach, given the rapidity with which share price volatility can erase even seemingly unassailable stock price gains.) On the other hand, if the issuer is struggling, this is highly likely to be reflected in a depressed share price, making the conversion uneconomic for investors. Of course, investors value the conversion option, and this should translate into lower interest cost for the issuer—something beneficial for the issuer, regardless of whether the issue ultimately converts. And if the conversion feature is combined with other features that qualify the instrument for "intermediate" or "high" equity content, the conversion feature certainly does not detract from equity content, in our view.

Likewise, we don't recognize equity content for a provision whereby the company has the option to repay an issue upon redemption or maturity by issuing common shares to the holders at the then-share price, instead of using cash. Although such a provision may save the company an underwriting fee, our assumption is that it could always choose to finance the maturity with a separate common stock offering, if inclined to issue common stock. Of course, if the local equity market were relatively underdeveloped or dormant, then such a provision would perhaps deserve more recognition.

Although leaving it up to the company to determine how to settle a convertible instrument does not necessarily detract from credit quality, if investors' exercise of an optional conversion provision means the issuer is required to repay the principal amount in cash—with only the appreciation settled in shares—we view that as the equivalent of a put. The instrument is more debt-like than equity-like. Share appreciation ordinarily being correlated with good performance by the company does not mean that maintaining capital adequacy is irrelevant to the company's credit profile.

As discussed above, we view mandatory conversion into common stock in a very different light. If the issuer's share price at the outset is used as a floor to limit the extent of shareholder dilution, if the ultimate conversion is no more than three years from the time of issuance in the case of investment-grade issuers (two years for issuers with issuer credit ratings in the 'BB' category; one year for issuers with issuer credit ratings in the 'B' category), and if various other conditions are met, an issue with such a feature can achieve "high" equity content. Otherwise, such issues are generally viewed as debt-like, given the concern that the shares issued would be repurchased.

Some instruments provide for a change in the conversion or exchange ratio if the company issues common shares within a specified time period at a lower price. (In lieu of changing the conversion ratio, some issues call for a cash payment to the hybrid holders.) This type of "make-whole" feature increases the aversion to issue more capital when it might otherwise be prudent and may burden the issuer with more dilution.

We do not consider an issue that converts or exchanges into common stock of a company other than the issuer as having equity content. Rather, we treat such an issue as an asset monetization, in that the issuer exchanges one asset (its equity stake in the third party) for another--the proceeds of the issue--albeit with a significant time delay between the latter and the former. The overall impact of the transaction can be positive, neutral, or negative, depending on such factors as the value realized for the equity stake relative to our expectations, our perception of the risks related to the equity stake, the cost of the financing (taking account of tax considerations), and the use of proceeds.

Rating The Issue

In the corporate and financial institutions sectors, we assign two types of credit ratings--one to issuers and the other to individual issues. The first type is called variously an issuer credit rating (ICR), counterparty credit rating, or corporate credit rating. It is our current opinion of an issuer's ability and willingness to meet its financial commitments on a timely basis. In contrast, while issue ratings address timeliness, they also address the potential for recovery of principal in the event of a bankruptcy or liquidation of the issuer--that is, the ranking of the issue.

Most types of hybrid capital instruments afford equity benefit to issuers by having ongoing payment requirements that are more flexible than interest payments associated with conventional debt, and by being contractually subordinated to such debt. Obviously, these characteristics make the instruments riskier for investors than debt. In assigning issue ratings to hybrid capital issues, we seek to assess the incremental risks associated with the issue in terms of payment timeliness and principal recovery compared to the ICR and to nondeferrable debt. We reflect these risks in the ratings of hybrid capital issues by assigning them ratings that are "notched down" from the ICR. Owing to the unpredictable nature of some of the risks to which hybrid capital issue ratings are subject, the ratings are potentially more volatile than the ratings on conventional debt issues.

We utilize a common framework across our corporate and financial institutions practices and across regions. However, the rating dynamics can work differently. For example, in the banking sector, most instances of companies deferring payments on trust preferred have reflected the intervention of regulators. In theory, given banks' high funding needs and the importance of maintaining confidence in the specific bank and the entire financial sector, the regulatory order to defer may occur when the company's credit quality is still stronger than the point where most corporates would consider such an action. So, in certain circumstances, where a bank is experiencing deteriorating credit quality, we may decide to widen the gap between the ICR and hybrid capital issue rating at an earlier point than for a corporate on a similar trajectory.

We also utilize this framework across the rating spectrum. In the case of highly rated issuers, the prospect of financial distress is, by definition, extremely distant. Still, issue ratings reflect our relative assessment of how different instruments in the issuer's capital structure might fare, should the downside case materialize. Some highly rated issuers

have argued that in their particular cases, the risk of deferral is so remote that it should not be reflected in a lower issue rating than for subordinated debt. If we accepted this argument, we would not notch down for deferral risk, but we would also see little basis for recognizing equity content in the issue.

Rating The Issue: Subordination

Subordination adversely affects the ultimate recovery prospects of subordinated obligation holders in a bankruptcy, since claims of priority creditors must be satisfied first. For issuers with investment-grade ICRs, we assign a rating one notch below the ICR for issues that are subordinated (but not deferrable). We typically rate subordinated instruments with deferrable coupons two notches below the ICR when it is investment grade (see details in next section). We do not distinguish in the notching between gradations of subordination: Junior subordinated issues and senior subordinated issues are rated the same. Experience has shown that, in bankruptcy, ultimate recoveries for different classes of subordinated instruments tend to be similar--and poor. (Likewise, other things being equal, we don't distinguish between hybrid capital issues that are cumulative and those that are noncumulative, since there is little reason to suppose recovery prospects of the two are materially different.)

Historically, in the case of issuers with speculative-grade ICRs, we automatically rated the issue two notches below the ICR just to reflect subordination (apart from the incremental notching for deferral risk). Under the updated Issue Rating and Recovery Analytics framework published on May 30, 2007 ("Recovery Analytics Update: Enhanced Recovery Scale And Issue Ratings Framework"), hybrid capital issues of speculative-grade issuers (except banks) can be notched down based on issuer-specific and instrument-specific recovery prospects in countries where we have adopted this issue rating approach and extended it for hybrid capital instruments. (Elsewhere, the two-notch differential for subordination remains automatic.) However, as a practical matter, this makes little difference to our rating conclusions: We expect the vast majority of nondeferrable subordinated instruments of speculative-grade issuers to receive a recovery rating of '6' on the revised scale (0%-10% recovery of principal post default), which would imply the same two-notch differential from the ICR that these instruments would otherwise be assigned just for subordination.

When a holding company issues the hybrid capital instrument, as is common for U.S. financial institutions, the notching is relative to our ICR on the holding company, which is typically lower than the ICR on the main operating unit.

Rating The Issue: Deferral

Payment risk can be heightened in the case of hybrid capital issues due to:

- The right of optional deferral, where management has the option under the terms of the instrument to suspend or cancel distributions without triggering a default (see section "Issue Features: Optional Deferral");
- Mandatory deferral, where, with the breaching of one or more predetermined triggers, the issuer is required to suspend payments (see section "Issue Features: Mandatory Deferral"); and
- Regulators' ability, in certain cases, to order companies to defer or cancel payments.

Our objective is to fully reflect payment deferral risk in hybrid capital issue ratings, whatever the potential driver of the

deferral. As deferral becomes an increasingly likely prospect, the gap between the ICR and the hybrid capital instrument would widen to reflect the heightened risk of deferral.

Optional deferral

We assume that issuers will be loath to exercise their right of optional deferral, given the negative reaction this evokes among investors and hence the ramifications it can have for the issuer's future access to capital markets. Deferral risk is heightened when the issuer faces increased prospects of financial distress, such that management's reluctance to defer may ultimately be overcome in favor of the need to conserve cash. As referred to above, the "pressure points" may differ for different types of issuers, meaning the consideration of deferral may come at earlier or later stages in the course of credit deterioration. One danger sign is when a company curtails or eliminates its dividend on common stock: This is sometimes a precursor to a deferral on equity hybrids. (Most equity hybrids have a "dividend stopper" that prevents the company from making any distributions to its common stockholders while it is deferring distributions on the hybrid; see section "Issue Features: Dividend Stoppers, Look-Backs, And Pushers.")

If a corporate has an unusually large proportion of equity hybrids in its capitalization, it may have an added incentive to defer, due to the significance of the cash flow savings that would result and perhaps pressure from senior lenders. However, in the case of large, regulated financial institutions, we believe this could cut both ways: the greater the amount of outstanding hybrids, the greater the potential for a systemic disruption or a backlash in the capital markets. This could give the issuer more of an incentive to continue payments under all circumstances.

Mandatory deferral

Triggers for mandatory deferral vary. Some consist of earnings-, cash flow-, or capitalization-based financial ratio tests; others refer to the issuer's incurrence of a loss during a defined period or the failure to meet specified minimum regulatory capital requirements. Still others tie the payment of the distribution on the equity hybrid directly to the company's payment of the common stock dividend.

Obviously, the payment deferral risk for the hybrid capital issue investor is higher when it would take only a minor and temporary shortfall in profitability to cause the deferral, for example. On the other hand, if it would take circumstances so dire for the trigger to be breached that the issuer would likely be on the brink of bankruptcy, then the payment risks for the hybrid capital issue investor would not be materially different than they would be for debt holders.

Triggers for mandatory deferral may be included in the terms of the hybrid capital issue. Alternatively, they may be included in the terms of other financing agreements or indentures of the issuer—for example, in the form of a financial covenant under a committed credit facility prohibiting the payment of dividends on all common and preferred stock if certain tests are breached. In our surveillance of hybrid capital issue ratings, we are alert to any changes in the issuer's financing agreements or indentures that could bear on its ability to make payments on a hybrid issue.

Regulatory deferral

In some regulated financial services sectors, regulators have the authority to direct companies to defer payments on equity hybrids based on the regulators' own assessment of what is prudent. In certain cases, banks have been ordered to defer even when they met all regulatory capital requirements (for example, Riggs National Corp., a bank holding company that was required to defer payments on trust-preferred securities in December 2004). Assessing the risk of deferral in the case of a regulated company requires careful consideration of sector- and country-specific factors,

including precedents of deferral ordered by the regulatory body in question. Especially important is the identification of financial measures to which the regulator is particularly sensitive.

The authority and intent of financial regulators to order deferral of payments in certain circumstances--whether or not clearly defined--means that most hybrid capital securities of regulated financial institutions can be viewed as having de facto mandatory deferral. Regulated financial institutions structure hybrids according to rules established by national regulators for regulatory capital measures. This includes the definitions of the capital ratios or performance measures that would trigger payment deferral if breached. The triggers for deferral--typically the regulatory minimum capital ratio for banks and insurers--are usually made explicit in the covenants of the hybrid security. Less often, the trigger is not explicit in the document but is understood by both issuer and regulator.

Rating The Issue: Factoring Payment Risk Into Issue Ratings

In reflecting payment/deferral risk in hybrid capital issue ratings, we evaluate the different sources of deferral risk that are present and seek to assess their combined significance. Where deferral is possible but we believe the prospect of a deferral is relatively remote for the foreseeable future, we take one notch from the ICR in setting the issue rating, whether the ICR is investment grade or speculative grade (subordination will increase the notching, as explained in the prior section). A one-notch differential is the typical treatment for issues that have optional deferral alone. For example, the subordinated and optionally deferrable issue of an issuer rated 'BBB+' would generally be rated 'BBB-'--one notch for subordination and one notch for payment deferral risk. If the issue were senior and deferrable (a rare but not unheard of combination), the issue would be rated 'BBB'. We take the same approach even at the highest rating levels. (Note that a subordinated and deferrable issue of a 'AAA' rated issuer is typically rated 'AA'. Because there is no 'AAA-' rating in our rating scale, 'AA' is two notches below 'AAA'.)

When we have heightened concerns that the issuer may defer--whether due to the exercise of its right to defer optionally, the breaching of a mandatory deferral trigger, or the exercise of a regulator's prerogatives--we increase the gap between the ICR and the issue rating. We do not impose any arbitrary limit on the size of the gap. So, in an extreme example, if the ICR of an issuer were investment grade, but we believed that there was a substantial risk that the payment on the issuer's trust-preferred securities could be deferred within a few quarters, the issue would have a low speculative-grade rating. On the other hand, if the issuer faced the immediate prospect of financial distress, yet we believed management remained determined-–for whatever reason-–not to exercise the right to optionally defer, we could, at least in theory, narrow the notching for deferral risk.

Combinations of different forms of deferral may or may not increase deferral risk. For example, if an issue has mandatory and optional deferability, and the mandatory triggers are defined so that they could be breached without there necessarily having been fundamental erosion in the issuer's credit quality, then the risks to investors would be greater than if there were optional deferability alone. The same would be true if the triggers were more reflective of fundamental credit quality, but could be breached before the point where the issuer would contemplate optional deferral. In either of these cases, a lower issue rating would be warranted than if there were optional deferability alone. In these circumstances we generally add to the gap between the issue rating and the issuer credit rating. On the other hand, if the mandatory trigger were sufficiently remote that we believed it would be unlikely to be breached before the

company would otherwise have optionally deferred, then we would not take away additional notches for the mandatory deferability compared to what would be appropriate for the optional deferability alone.

For example, MetLife Inc. issued $2.1 billion of noncumulative perpetual preferred in 2005 that was rated 'BBB', three notches below the ICR. The issue has both optional and mandatory deferral. The mandatory deferral is breached by the triggering of either of the following:

- Consolidated net income during any consecutive four quarters is zero or less AND shareholders' equity declines 10% or more during the most recent eight quarters AND MetLife cannot reduce the decline in shareholders' equity within the subsequent two quarters to less than the 10% threshold through equity issuance; or
- The risk-based capital ratio of Metlife's largest U.S. life insurance subsidiaries falls below 175% of the company action level.

Analytically, it was deemed reasonably possible, while not expected, that MetLife could have an atypical earnings event or a decline in its GAAP equity that would cause the first trigger to be breached, even while the company remained financially strong. More importantly, the second trigger relates only to measures of solvency for a portion of Metlife's U.S. life insurance operations, while the ICR reflects the diversity afforded by the company's U.S. property and casualty operations and its growing presence outside the U.S.

We have rated a number of mandatory deferrable issues where, as in the first trigger in the MetLife transaction, triggers are defined to give the issuer the chance to make up for a decline in shareholders' equity by issuing new equity. Some issuers of these instruments have argued that this completely mitigates mandatory deferral risk, since it would always be their company's intention to take whatever actions were necessary to forestall the breach of the trigger, barring cases where they would want to exercise the right to optionally defer. Some issuers have even put such assertions in the form of "best endeavors" undertakings included in offering documents or other filings. We must be skeptical about such assertions, just given the remoteness of the prospect of deferral, and the adverse changes the issuers might have undergone by the time that point was reached. However, if we were convinced that the company, apart from situations where it would optionally defer, would always avail itself of whatever capital markets access it had to avoid a breach of the mandatory trigger, then we would not notch down incrementally for the mandatory deferral risk; rather, we would only notch once, for the risk of optional deferral. However, there would then be little basis for ascribing any extra value in terms of equity content (beyond that warranted due to the optional deferral feature alone) to the mandatory deferral feature.

If a mandatory deferral trigger is defined in such a manner that we believed the trigger would always be breached before the company would otherwise consider deferring optionally, and if the company is legally required to issue common shares immediately upon the breach of the trigger, then we could conclude that deferral risk had been effectively eliminated, and not notch down for deferral risk.

In the case of regulated financial institutions, explicit mandatory deferral triggers do not add to deferral risk stemming from regulation if--as is generally the case--the triggers just replicate the capital standards that a regulator applies in determining whether to order a deferral. Also, in the case of banks, we consider it particularly unlikely that a company would exercise unilaterally its right to defer optionally. Moreover, we would generally presume that bank regulators would act preemptively to force banks to raise capital (or divest some activities) to prevent regulatory capital

guidelines from being breached. Thus, in most instances we take away only one notch for deferral risk in rating hybrid capital issues of investment-grade banks, even where there is a combination of optional deferral and regulatory deferral risk.

For example, certain Spanish and Australian banks' hybrid capital issues contain relatively narrow earnings tests, which link the payment of a coupon to the existence of profits in the previous fiscal year. However, we do not believe that the local regulators will apply these tests mechanistically. Rather, we expect there to be situations where the issuer reports a loss, but where the regulator still allows the issuer to pay a coupon. (The terms and conditions allow this flexibility.) We believe that the likelihood of regulatory intervention will depend on the circumstances that have given rise to the reported loss and that the probability of regulatory intervention on these hybrids is not materially affected by the existence of the tests. Yet, as indicated above, we would notch to a greater extent in cases we view as exceptional. Examples would be where we perceive that the likelihood of a reported loss has increased materially, or if we come to believe that the regulatory approach to the narrow earnings test would be more mechanistic.

Rating The Issue: Default And Distress

On July 23, 2008, we expanded the definition of our 'C' long-term issue credit rating to include issues on which cash coupon payments have been deferred, eliminated, or in some cases, paid in-kind, as permitted under the terms of the issue. The definition expansion only affects the rating that we assign to a hybrid capital issue when the cash coupon on the instrument is no longer being paid, but the issuer is not bankrupt or insolvent and our credit rating [ICR] on the company is not 'D', 'SD', or 'R'. We will generally continue to assign a 'D' rating to issues that are in payment default, to issues that have been subject to a distressed exchange, or when the issuer has filed for bankruptcy or taken similar action.

Some issues with mandatory deferability have clauses that require the issuer to undertake the sale of common or preferred stock and utilize the proceeds to make the distribution. If the payment can be made on a timely basis, we would not view this as a default. In such circumstances, we believe a grace period of up to 30 calendar days is appropriate—equivalent to the grace period commonly found in conventional debt issues. However, there is the risk that the company would be unable to complete the required share issuance, depending on the company's circumstances and conditions in the capital markets. So far, we have not notched down a second notch for mandatory deferability in cases where "best efforts" share issuance (or issuance of other securities) would then be immediately required. However, we could reassess this approach as we gain more insight into the practicability of this requirement. In any event, we will notch down when we believe that under the most likely scenario where a deferral could occur, the issuer's financial strength and share price would have declined so precipitously that the issuer's ability to complete even a modest-size common stock issuance (or issuance of other securities) could be dubious.

In theory, if we were convinced that the deferral of payments was highly unlikely to occur absent a default by the company on all of its obligations and/or a bankruptcy filing, then we would not notch at all for deferral risk, only for subordination.

Rating The Issue : Government Support

The policy for rating the hybrid equity securities of government-supported entities deserves particular mention. When Standard & Poor's expects the government to support a government-supported entity's debt obligations but has less confidence that the support would be extended to the government-supported entity's equity hybrids, then the base for the notching of the equity hybrid issue rating is not just the ICR (which factors in the imputed government support). The issuer's stand-alone profile (absent government support factors, including extraordinary intervention and rescue) is also a relevant rating factor in these situations.

This indeed was the case in Japan in the late 1990s and early in the current decade, when Japan's government provided massive support to the private banking sector to maintain confidence and prevent the failures of many institutions. The government support did not extend to all hybrid capital securities of Japanese banking groups during that period, however, and some of the bank hybrids, notably the operating company (opco) preferred securities, deferred payments. Two prominent cases of deferral were those of Resona Bank and UFJ Bank (through opco Tokai Preferred Capital Co.). During this period, we widened the notching of hybrid equity securities, including opco preferred securities, up to six notches below the ICR of the issuing groups. In the cases cited, the banks avoided liquidity problems after the payment deferrals: UFJ was merged with higher-rated Mitsubishi Tokyo Financial Group, and Resona Bank was under the direct control of the government.

A more recent example is the U.K. bank Northern Rock PLC, which has received significant liquidity support from the U.K. government since September 2007 and was nationalized in February 2008. The liquidity support includes a government guarantee arrangement that covers Northern Rock's deposits and senior unsecured wholesale funding, but explicitly excludes its subordinated capital issues. Northern Rock's preference shares (a Tier 1 capital instrument) were included within the nationalization, and ownership of them has consequently transferred to the government, with compensation to be determined by an independent valuer. These preference shares are now rated 'D' to reflect the impact on the prenationalization investors, who have not, to date, received any compensation for the change in ownership. Northern Rock's two other Tier 1 issues remain with their existing owners and are up-to-date with coupon payments.

Our approach would be similar in the case of an entity whose ICR benefited from support of a strong parent, but where we doubted whether parental support would be extended to the subsidiary's hybrid capital.

Rating The Issue: The Rating Approach To PIK Debt

PIK debt can pay interest in cash or in-kind in certain circumstances. These obligations are typically issued by speculative-grade corporates. PIK means that the investor, in lieu of cash, receives more of the same note, or that the note's principal is increased. There are several forms of PIK debt. In their simplest form, PIK notes pay interest in kind from the outset and for the life of the instrument. These are similar to zero-coupon bonds. Although such issues can help highly leveraged companies conserve cash, the generally steep interest rate and rapid accretion give the issuer a strong incentive to refinance the issue. Our ratings for such issues are not notched down to reflect default risk to a

greater extent than for ordinary debt issues of the company-—only to reflect subordination (if applicable).

Some PIK debt initially requires cash interest payments, but gives the issuer the option of paying in-kind later. Such an issue is analogous to deferrable payment equity hybrid securities. Although the PIK option is contractually permitted, the expectation is that the company will pay cash unless it faces severe financial distress. Accordingly, we reflect that risk with additional notching (for deferral risk) at the time of issuance.

Toggle notes are somewhat different from the two types described above, in that they are designed to facilitate switching back and forth between cash payment and PIK distributions, according to the preferences of the issuer. (In some cases mixed cash/PIK payments are also permitted.) When the PIK option is utilized, there is a bump-up in the interest rate, intended to make the investor relatively indifferent. With appropriate disclosure at the time of issuance, the investor knows to expect a toggling cash/PIK payment pattern. The fact that the issuer is noninvestment grade also helps to support this expectation. Where we are satisfied that disclosures are sufficient to give investors the expectation of receiving PIK at various stages of the security's life, and where the issuer is noninvestment grade at the time of issuance, we will not treat utilization of the PIK option as warranting the 'C' rating. In other words, we do not treat it as a payment deferral and we do not notch down for this PIK feature. For other forms of PIK debt, we believe that a shift from paying cash to paying in-kind indicates severe financial distress and warrants a 'C' rating. Previously, we assigned a 'D' to the issue in these situations.

Toggle notes may be senior, and even secured. We take account of this in assessing recovery prospects. In analyzing recovery prospects, however, we expect the PIK option would likely be utilized prior to a bankruptcy, and that this would thus translate into higher debt at time of default-—and so must be added when calculating recoveries.

All types of PIK notes provide a measure of flexibility that is a positive consideration with respect to issuer liquidity. We do not formally recognize equity content in toggle notes, though, given the incentive to pay in cash, and the relatively short maturities and senior ranking of the instruments-–at least as seen in the issues done to date.

Rating The Issue: Equity Unit Ratings

Companies continue to issue mandatorily convertible debt, structured as a unit that bundles two pieces:

- A corporate debt (or preferred stock) security; and
- A forward contract that requires the investor to purchase--and the company to sell--the company's common shares at a predetermined price (or formula).

Standard & Poor's may be asked to rate the underlying debt (or preferred) piece--or the unit. Such debt and/or a unit incorporates substantial equity risk.

The investor winds up with common stock--if not via conversion, strictly speaking--by fulfilling the contract obligation. Sometimes the debt is remarketed, but the company gets the new money, while unit holders still receive the stock to satisfy the terms of the equity contract.

The ratings we assign do not opine on the totality of the equity risk, but neither do we ignore the equity nature of these instruments, as explained below.

Under the current policy, the rating of the debt and/or unit is normally two notches below our corporate rating on investment-grade companies, or three notches in the case of speculative-grade companies. This level equates to the ordinary rating of a company's preferred stock, which is also an equity security of the company (although the risks incorporated in preferred ratings are, of course, somewhat different). Given the market risk that the investor takes, the assigned rating could arguably be lower; however, sizing the risk of share price changes is beyond the scope of rating analysis.

Thus, the rating on the unit applies to the company's obligation to service the debt component, as well as its obligation to issue common shares under the forward contract. The rating does not pertain to the safety of principal or the units' value. The units' ultimate value is a function of the market value of the company's common shares, and is not addressed by our rating.

Note that we apply a different approach where the purchase contract relates to shares of another company that are owned by the issuer, rather than the issuer's own common shares. In line with our market-linked bond policies, the rating on such exchangeable debt or preferred will be that of the issuer--even if the issuer is disposing of shares of a company with a very different credit profile. And, if the obligation is senior, it will carry the same senior debt rating as the issuer.

How Have Hybrid Capital Issues Performed?

Apart from the need to do so for our normal rating surveillance purposes, we monitor closely the deferral experience of rated hybrid capital issues with a view to validating our analytical perspective on hybrid capital issues. Among the characteristics of such issues, the flexibility of payments (i.e., the contractually permitted ability to defer interest or dividend payments) is generally the key to our recognition of equity content. Thus, it is important to look at the extent to which companies under stress actually avail themselves of the option to defer payments. We also seek validation of our notching policy, since, in setting the rating on hybrid issues, we notch down more than with conventional subordinated debt, under the assumption that there is incrementally greater payment risk. Under our rating definitions, if a payment is deferred or omitted, the issue rating would be lowered to 'C' (assuming the issuer is not bankrupt or insolvent).

Our findings have been mixed. Here, we consider the experience from 1995 to the present, taking account of all rated hybrid capital issues, in all regions and sectors, and including most types of conventional preferred stock, since they have deferral features similar to those in the newer forms of hybrid capital.

Corporates have accounted for the dominant share of all cases where the hybrid capital issue rating was lowered to 'C' (or the then-equivalent). We have identified 101 corporate groups that deferred or defaulted on 179 separate rated issues. The vast majority of the issuers–-95-—have been U.S. companies, and the majority of these issuers were speculative grade when the hybrid issue rating was first assigned. Only nine issuers deferred when their issuer credit ratings were higher than the 'B' category (this excludes Fannie Mae and Freddie Mac, which did not have ICRs). In 49 cases, the issuers never deferred in advance of a bankruptcy filing or default on conventional debt. In nine cases where issuers went bankrupt or defaulted on conventional debt, they deferred hybrid payments one year or more before this

occurred. In 21 of the 101 cases, the issuers deferred but did not subsequently file for bankruptcy or default on conventional debt—at least as of yet.

We have noted 14 instances of insurance companies that deferred or defaulted on issues--all but one U.S.-based. In eight of the cases—including, most notably, Conseco Inc.--the default occurred effectively concurrent with either a bankruptcy filing by the issuer or with the main operating units being placed under regulatory supervision. In five of the other six cases (Lumbermens Mutual Casualty Co., Southwestern Life Holdings Inc., Lasalle Re Holdings Ltd., Gerling Global Finance Alpha B.V., and Scottish Re Group Ltd., which is currently deferring), deferral commenced before the issuer ceased ongoing operations or filed for bankruptcy. In some of these cases, the holding companies' hybrids defaulted, whereas the operating companies did not. This shows that the hybrids provided a degree of protection to the operating companies. In another current example, Syncora Holdings Ltd., formerly Security Capital Assurance Ltd., deferred on its series A perpetual noncumulative preference shares: it remains current on its debt obligations. Many Japanese insurers maintained payments on their hybrids through periods of stress. One insurer, Asahi Mutual Life, deferred payment on its unrated "kikin" hybrids in 2003, while remaining current on its senior financial obligations.

In financial institutions (excluding insurance), we have observed 13 examples of deferral or default on rated hybrid capital issuers. Four were U.S. finance companies: Dynex Capital Corp. deferred for an extended period and never defaulted on conventional debt, FINOVA Capital Corp. and New Century Financial Corp. filed for bankruptcy, not having previously deferred, and Thornburg Mortgage, despite modifying the terms of its hybrid, continues to remain current on its conventional debt. Fannie Mae and Freddie Mac, government-related entities that the U.S. Treasury recently took into conservatorship, accounted for two notable instances. Payments were halted on a combined 38 hybrid issues ($36 billion). We also identified seven instances of deferral at banking groups—two Japanese (Resona Bank Ltd. and UFJ Bank Ltd.), one Thai (TMB Bank Public Co. Ltd.), three U.S. (Bay View Capital Corp., Riggs National Corp., and IndyMac Bank) and one European (Northern Rock plc). Interestingly, in only one of those seven--IndyMac--was there a default on other obligations following deferral on hybrid securities. The case of Riggs is noteworthy in that the company was not in immediate danger of violating regulatory capital standards. Rather, the company was mired in scandal, and the Federal Reserve exercised its broad authority to intervene in an institution it viewed as troubled.

Also noteworthy is Northern Rock plc. Its preference shares were included in the February 2008 nationalization of the bank, which meant that ownership mandatorily passed to the U.K. government from the investors. To date, the investors have not received any compensation. Our rating on this issue is 'D', not the 'C' rating we typically apply where interest is deferred as permitted in the terms of the agreement. This is because of the forced transfer of the preference shares to the U.K. government. We believe that any compensation to the original investors will be limited because it will be based on the estimated worth of the preference shares if Northern Rock had not been supported by the U.K. authorities. On July 4, 2008, Northern Rock announced that it will not declare or pay a dividend on the noncumulative preference shares until further notice, and the annual coupon was not paid on that date. Payments on debt have continued without interruption.

Among unrated U.S. bank holding companies, City Holding Co. deferred payments on its preferred shares in July 2001

and resumed in July 2002. Smaller unrated institutions are exhibiting an uptick in hybrid deferrals. We are aware of cases of unrated hybrids of German banks that deferred payments--e.g., certain hybrid securities of Allgemeine Hypothekenbank Rheinboden AG (now named Correal), Westdeutsche Landesbank, and Sachsen LB.

In interpreting financial institutions' results during the past decade, it is important to keep in mind that senior debt performed very well during 1995-2006 (and in 2007, too, excluding unregulated U.S. finance companies). Indeed, in mature markets, no regulated banks' rated senior debt defaulted during this time.

We have pondered why companies under pressure haven't been more proactive in utilizing the deferral option under outstanding hybrid capital issues. We believe it is most likely due to some combination of the following factors:

- The decline in the company's fortunes was too rapid for deferral to be possible. Examples of this include PG&E, Enron, Parmalat, and more recently, New Century.
- Management might have been too concerned about the "headline risk" associated with deferring, particularly as it could affect its ability to maintain capital markets access.
- The company might not have had enough hybrid capital outstanding for the potential cash-flow savings resulting from a deferral to be meaningful.
- Management was unrealistic in its assessment of its financial condition.

We believe it is unwise to read too much into our historical observations, given limitations of the data and the uptick of deferrals we are seeing in the current environment. While past utilization of the deferral option is less frequent than we might have expected, companies are loath to curtail or eliminate even their common dividends for many of the same reasons cited above—and the equity-like features of common stock set the standard against which we assess hybrid capital instruments. Perhaps future experiences will be different, given the representations that have been made about the equity benefits of the new generation of hybrids. In the sizable area of hybrid capital of regulated financial institutions, the widespread tendency for bank regulators to favor market discipline may lead to a higher incidence of payment deferral during the next decade compared to the 1995-2006 period. One conclusion we draw is that the deferral feature's value is more tangible in the regulated context and/or where there are mandatory triggers. We expect a higher incidence of coupon deferrals and suspensions on hybrid securities of regulated financial services companies in the future, as the amount of issuance grows. We will continue to track the performance of hybrid capital issues in all sectors to help us gauge the appropriateness of our conclusions regarding equity content and payment risk.

Appendix

Table 5

Essential Features Required For Equity Content

	Intermediate-Adequate	Intermediate-Strong	High	High
Interest deferral	Optional – Five years unfettered with default no earlier than five years	Optional – Five years unfettered with default at no earlier than 10 years Or - Mandatory deferral with moderately tight triggers	Mandatory deferral with tight triggers	
Term - capital permanence	20 years or more remaining to the "effective maturity"*			
Term - refinance risk	Where an incentive to redeem early exists, there must be both (1) a replacement provision or equivalent regulatory oversight, and (2) any incentive (or penalty if not redemed) must not be excessive.			
Subordination	Subordinated			
Mandatory conversion				Mandatory conversion to common stock within three years, with the conversion price not lower than initial share price.

*Refer to table below for more detailed criteria relating to "effective maturities".

© Standard & Poor's 2008.

Table 6

Provisions In Hybrid Instruments Viewed As The Equivalent Of Maturity

Hybrid equity content treatment in our ratios ends when less than 20 years remain until the "effective maturity." At that point it is treated as debt for ratio purposes, with the benefits incorporated qualitatively in our analysis. This table summarizes which maturity-like provisions are viewed as an "effective maturity."

	Call (with no step-up)	**Call with moderate step up or equivalent* (For investment-grade issuers 26 bps-100 bps is viewed as moderate. "Moderate" can vary depending on local interest rates.)**		**Scheduled maturity (co. is required to make best efforts to redeem)**	**Final maturity (nonpayment upon maturity is a default)**
Standard & Poor's approach	Not viewed as an effective maturity, unless the call is within five years of the issuance date.	For unregulated issuers**: This is viewed as an effective maturity unless there is a replacement capital covenant (RCC). (The expiration date of the RCC would be viewed as an effective maturity).	For regulated issuers:***: This is not viewed as an effective maturity (and no RCC is needed) because the regulator ensures replacement where appropriate. For a step-up with a call before year 10 (even where the regulator accepts that), we require a legally binding replacement covenant.	Always viewed as an effective maturity	Always viewed as an effective maturity

Table 6

Provisions In Hybrid Instruments Viewed As The Equivalent Of Maturity (cont.)

Rationale	Issuer calls are standard in almost all long-term instruments and there is no obligation to redeem that inflicts costs (the market does not assume it will be called, so there is limited headline risk if it is not called). A call before five years is unusual and we take it to be an indication of a lack of permanence, even with a RCC.	The step-up presents an incentive to call and a penalty rate if not called, which undermines permanence. Given that the potential increase in cost is limited to a moderate step-up, the RCC is adequate to offset concerns about permanence. (In contrast, an RCC does not offset the lack of permanence in a short-dated issue.)	For regulated issuers, the regulatory oversight is viewed as adequate to ensure it will be replaced when its benefits are needed. However, where the call is before year 10, we require the even stronger RCC, as regulatory oversight doesn't ensure permanence to the extent an RCC does.	Unless there is a market disruption event, the company is obligated to redeem, which can impose onerous costs on the issuer. This is therefore viewed as an effective maturity.	The instrument must be repaid at this time or else an event of default is triggered.
How the company is likely to react under varying circumstances					
Doing well	Might or might not call, depending on its view of future interest rates	Will redeem	Will redeem	Will redeem	Will redeem
Under moderate stress	Won't retire the instrument (it's equity-like when needed)	Will redeem	Will redeem	Will redeem	Will redeem
Under heavy stress	Won't retire the instrument (it's equity-like when needed)	Won't retire the instrument (it's equity-like when needed)	Won't retire the instrument (it's equity-like when needed)	Will redeem	Will redeem

*"Step-up equivalents" are features that, similar to an increase in the coupon, motivate the issuer to call the issue. For example, a discrete call followed by a non-call period longer than five years would moderately motivate a call and an RCC would be required to achieve equity content, otherwise we would view that as an effective maturity. Features deemed to present a greater-than-moderate motivation to redeem cannot be remedied by an RCC. For example, a rate composed of the "higher of" a specified short-term, mid-term, and long-term interest rate after the first call (e.g. at year 10) is not curable by an RCC unless the rate is haircut to compeltely eliminate the penalty rate. Similarly, we would view a rate comprised of the "highest of" various uncorrelated interest rates such as Treasury (U.S.), Libor (U.K.), and the like as an effective maturity, even with an RCC. We also view a floating interest rate combined with a floor following the call date as an effective maturity even with an RCC (with an exception made in certain instances in regulated sectors).

** Unregulated issuers include North American insurance holding companies, most corporates, utilities, asset managers, security exchanges and clearinghouses. We also view finance companies as unregulated in this respect. (However, for tolerance limits and treatment in ratios, finance companies follow the regulated approach. See table below.)

***Regulated issuers include banks, U.S.-based securities brokers, most insurance issuers outside North America, and insurance operating companies in North America.

Table 7

Equity Unit Structures (Mismatched Mandatory Convertibles)

				Treatment in year #								
Maturity of front end (security issued at outset)	Forward contract is exercised at:	Mismatch	Treated as dual financing of debt and equity	1	2	3	4	5	6	7	8	9
five years	three years	yes	yes	($100 debt) + ($100 debt w/ equity content)			$100 debt + $100 equity		$100 equity			
eight years	five years	yes	yes	$100 debt		($100 debt) + ($100 debt w/ equity content)			$100 debt + $100 equity			$100 equity
five years	five years	no	no	$100 debt		$100 debt with equity content			$100 equity			
three years	three years	no	no	$100 debt with equity content			$100 equity					

© Standard & Poor's 2008.

The mechanics of a typical unit structure: A unit is made up of two components: (a) a debt issue and (b) a forward contract obligating the investor to purchase common shares in three years. At year three, the debt owned by the initial investors is replaced with common stock and the debt is separately remarketed to new investors (for new proceeds). To achieve tax deductibility the structure typically separates (mismatches) the date of the debt maturity and the date of the exercise of the stock purchase/issue contract by at least two years.

The equity unit involves two sets of proceeds. It starts as $100 in debt and in three years becomes a total issuance of $200, made up of $100 in debt plus $100 in equity. In respect to capital ratios, we roll the clock forward three years and apply both the resulting debt and equity issuances to the ratios today. Where our understanding is that the second set of proceeds will be used for debt repayment, we ignore the second set of proceeds and apply "high" equity content, without the dual financing treatment, similar to our approach for the basic mandatory convertibles.

Table 8

How Equity Content Is Applied In Capital Ratio Analysis, Across Sectors

		Corporates (Includes regulated utilities, asset managers, security exchanges and clearinghouses)***		Insurance (Excludes bond insurers that have similar, but slightly different tolerance limits)	Financial institutions (Includes securities brokers and unregulated finance companies)
		Debt/equity	Maximum allowed	Treated as 100% equity, up to allowable limits	Treated as 100% equity, up to allowable limits
High		**Equity = 100%** Debt =0%	General guideline is 15%	Up to 25% of TAC (35% in Europe & Canada*)	Up to 50% of ACE
Intermediate	Strong	**Equity = 50%** Debt = 50%	General guideline is 15%	Up to 15% of TAC in US & Bermuda (25% for European and Canadian insurers*)	Up to 33% of ACE (preferred with unlimited deferral)
					Up to 18% -or- 33%** of ACE (enhanced trust preferred i.e., more than five years deferral)
	Adequate				Up to 12% of ACE (upper tier 2, trust preferred, five years deferral)
Minimal		**Equity = 0%** Debt = 100%	NA	NA	NA

© Standard & Poor's 2008.

ACE = Adjusted common equity (common equity + minority interests - unaccrued dividends - revaluation reserves - goodwill - interest only strips - tax loss carry forwards +/- pension benefits +/- other adjustments).

TAC = Total capitalization (total shareholders' equity + preferred shares + minority interest + debt -appreciation on fixed-income securities).

Note: The higher caps (maximum allowed) are cumulative of amounts in the lower caps. E.g. in applying the caps for financial institutions, we would first look at intermediate adequate instruments up to 12% (ignoring adequate instruments that were over the 12% cap), then apply enhanced trust preferred from that amount up to 18%, etc.

*In the U.S. & Bermuda where structural subordination is high, regulators allow holding company debt to fund operating company capital. So our tolerances are 25% and 15% of TAC for high and intermediate instruments, respectively. In Europe and Canada where structural subordination is low, regulators exclude holding company debt from groups' solvency, so tolerance limits are higher at 35% and 25% of TAC for high and intermediate instruments, respectively.

**The 18% basket for financial institutions only applies to North American banks and security brokers, due to regulation. For non-N.A. banks, and for all unregulated finance companies (even in N.A.) enhanced trust preferred is

treated like preferred stock, i.e. up to 33%.

***In the corporate/industrial sector only, the interest payments are treated (partially) as common dividends. For "intermediate" issues, they would be treated as 50% interest and 50% common dividends (which are excluded from coverage ratios). In the financial and insurance sector all distributions are treated as interest, and only capital ratios are modified to reflect equity credit.

N.A.--Not applicable.

Table 9

Assigning Issue Ratings: Number of Notches Below the Issuer Credit Rating (ICR)

	Investment-grade rating		Speculative-grade rating	
	Optional deferral	**Mandatory deferral**	**Optional deferral**	**Mandatory deferral**
Subordination	1	1	2	2
Deferral	1	Typically 2**	1	Typically 2**
Total notches	2 *	3	3	4

* The overwhleming majority of hybrid issues are investment grade with optional deferral and are rated two notches below the ICR.

**Where there is a mandatory trigger the notching for DEFERRAL would typically be 2 (or more if there is a greater-than-usual likelihood of the trigger being breached). Where there is a mandatory trigger and (a) the company credibly says it will make its best efforts to settle with common shares and (b) the risk of the trigger being breached is relatively remote, the notching for DEFERRAL would typically be 1.

Notching of mandatory convertibles and equity units: Notching of the issue rating mirrors our approach to notching of preferred stock (even if the coupons are not deferrable and the debt host is senior). Our rating on the issue does not opine on the totality of the equity risk to investors.

Copyright © 2015 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

From: Adam Prokop []
To: John Kim [John.Kim@ofina.on.ca]
CC: Bruno Amara [Bruno.Amara@ofina.on.ca]; Salman Qadir [Salman.Qadir@ofina.on.ca]; Shajee Kathirgamanathan [Shajee.Kathirgamanathan@ofina.on.ca]
Subject: Preferred equity treatment
Date: Tuesday, May 02, 2017 12:23:12
Attachment 1: dbrs-criteria-preferred-share-and-hybrid-security-criteria-for-corporate-issuers-archived.pdf

---

There is an exception to preferred share 20% rule:

"There are cases where a parent may invest in a subsidiary through deeply subordinated debt for tax or other reasons with the intention that the security mirrors the attributes of equity. DBRS would typically assess a range of factors to establish if the latter has been achieved, such as cross-default trigger covenants, term and ability to defer interest. Regardless of these factors, the parent-subsidiary relationship is key and represents the only reason that DBRS would consider these debt instruments for high equity treatment. In these cases, the 20% cap rule does not apply."

See attached file.

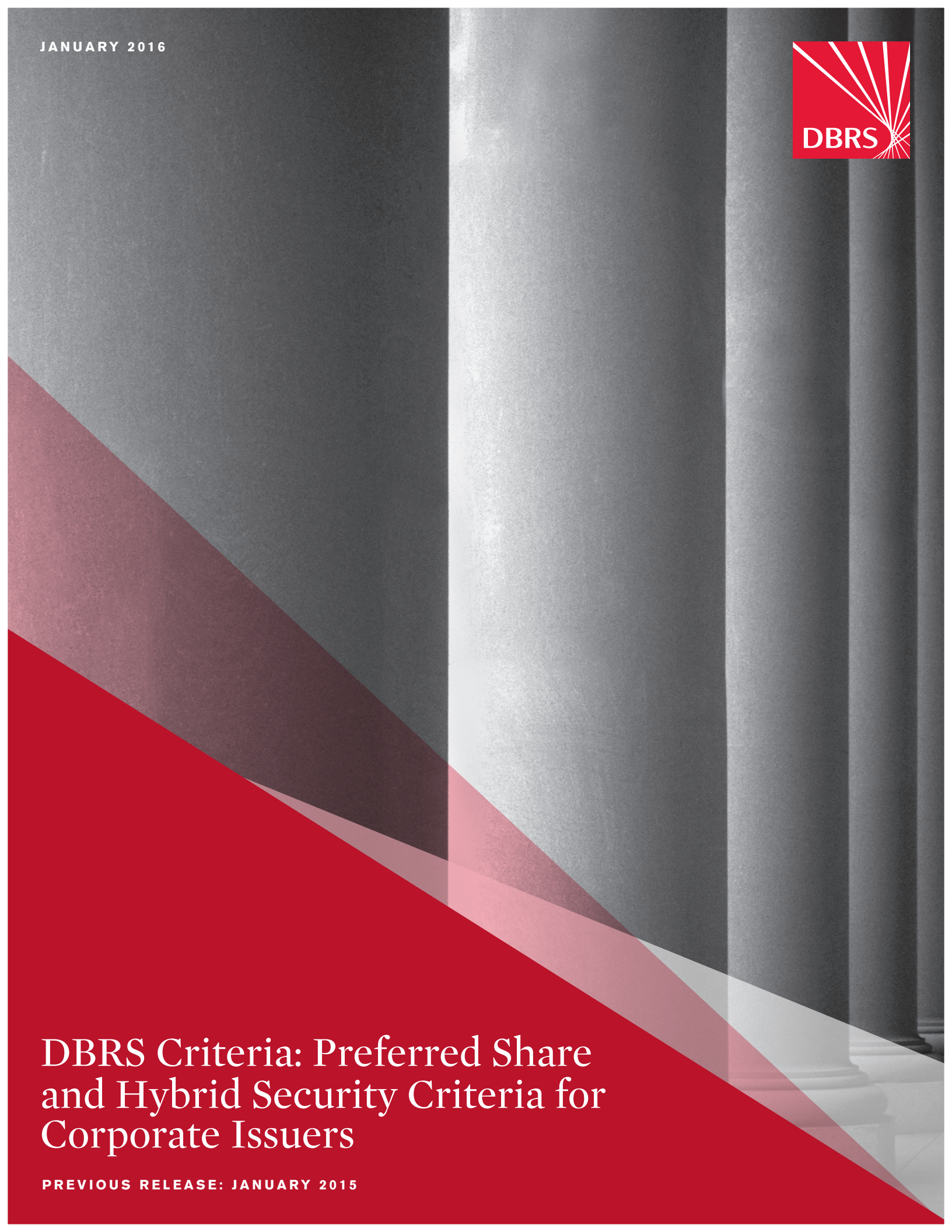
Kind regards,

Adam Prokop

Economic Specialist

Office: 416-315-6462
adam.prokop@ofina.on.ca

JANUARY 2016



DBRS Criteria: Preferred Share and Hybrid Security Criteria for Corporate Issuers

PREVIOUS RELEASE: JANUARY 2015

Contact Information

Andrew Lin
Global Corporates
+1 416 597 7453
andrew.lin@dbrs.com

Eric Beauchemin
Global Corporates
+1 416 597 7552
ebeauchemin@dbrs.com

DBRS is a full-service credit rating agency established in 1976. Spanning North America, Europe and Asia, DBRS is respected for its independent, third-party evaluations of corporate and government issues. DBRS's extensive coverage of securitizations and structured finance transactions solidifies our standing as a leading provider of comprehensive, in-depth credit analysis.

All DBRS ratings and research are available in hard-copy format and electronically on Bloomberg and at DBRS.com, our lead delivery tool for organized, web-based, up-to-the-minute information. We remain committed to continuously refining our expertise in the analysis of credit quality and are dedicated to maintaining objective and credible opinions within the global financial marketplace.

Table of Contents

Scope and Limitations 3
Overview 3
Equity Weightings 3
Rating the Instruments 4
- Equity Weightings 4
- Primary Factors 4
  - Subordination 4
  - Tenor and Redemption Rights 4
  - Interest Deferral 6

Additional Factors 7
Preferred Shares 8
  - Cap on Use of Hybrids and Preferred Shares 8
  - Ratio Analysis 8

Rating The Instruments 9
- Relationship between the Instrument Rating and its Equity Weighting 9
- Nomenclature 9
- Choice of Rating Scale – Canadian-Only Issue 9
- Lower-than-Standard Mapping to Debt Ratings 9
- Higher-than-Standard Mapping to Debt Ratings 9

Scope and Limitations

This criteria represents the current DBRS approach to preferred shares and hybrid securities (hybrids) for corporate issuers other than financial institutions. The methods described herein may not be applicable in all cases; the considerations outlined in DBRS methodologies are not exhaustive and the relative importance of any specific consideration can vary by issuer. This criteria applies to all non-banking/non-financial corporate sectors across the rating spectrum, investment-grade and non-investment grade issuers. Further, this criteria is meant to provide guidance regarding the DBRS methods used in the areas outlined and should not be interpreted with formulaic inflexibility, but understood in the context of the dynamic environment in which it is intended to be applied.

Overview

"Hybrid" is a term used by DBRS to describe financial instruments that combine both debt and equity characteristics. There is a wide variety of hybrids combining numerous features in the marketplace, with new versions emerging from time to time.

The following criteria outlines the DBRS approach to preferred shares and hybrids for corporate issuers other than financial institutions, with a primary focus on the equity treatment assigned by DBRS to these instruments. For non-banking financial institutions (insurance companies, finance companies, etc.), the main Equity Weightings section is not applicable but, in some cases, the *Rating the Instruments section may still be applicable.* For banking-related issuers, DBRS would instead typically use the criteria entitled *Rating Bank Capital Securities – Subordinated, Hybrid, Preferred and Contingent Capital Securities*. This criteria would not generally have any application to sovereign or public finance issuers since they do not generally issue such instruments. Also, with respect to considerations applied by DBRS to subordinated debt instruments in public-private partnership transactions, while some of the same broad principles discussed below will apply, given the nature of these transactions, DBRS applies a specific set of criteria to these subordinated debt instruments (see Appendix 1 to the *Rating Public-Private Partnerships* methodology).

This criteria is divided into two major sections summarized below:

Equity Weightings

- DBRS assigns to hybrids and preferred shares one of five potential equity weightings (0%, 25%, 50%, 75% or 100%) based on the extent of equity characteristics that are exhibited by each instrument.
- DBRS uses a two-stage determination process: the instrument is first scored based on primary considerations, after which secondary factors are incorporated into the analysis to finalize the equity weighting.
- DBRS generally caps the combined equity treatment assigned to all hybrid and preferred securities of an issuer to 20% of common equity (as adjusted by DBRS); the remainder is treated as debt. One exception in which the 20% rule does not apply is when the security is held by the parent of the issuer, as discussed in more detail in the Cap on Use of Hybrids and Preferred Shares section.
- Equity weightings are used by DBRS to adjust debt and equity levels in several leverage metrics, such as debt-to-EBITDA and cash flow-to-debt. Except for subordinated debt instruments qualifying for 100% equity weighting, however, no relief is provided to coverage ratios linked to interest expenses and preferred share dividends, such as interest and fixed-charge coverage ratios, as a result of equity treatment considerations.

Rating the Instruments

This section discusses the key considerations related to assigning an instrument rating to a given hybrid or preferred share security.

Equity Weightings

The determination of the equity treatment given to hybrid debt or preferred equity instruments is an important step in the assessment of an issuer's creditworthiness because it contributes to a more precise measurement of the financial burden carried by an issuer as those instruments are typically more flexible than traditional debt. When assessing hybrids or preferred shares for equity treatment, DBRS is guided by the following key question: how closely does the instrument replicate the attributes of common equity that are beneficial to the issuer and higher-ranking bondholders and creditors? In DBRS's view, those beneficial attributes include:

1. Subordination – equity provides a buffer or loss-absorption mechanism for all other creditors;
2. Permanence in the capital structure – there is no maturity date and therefore no liquidity or repayment risk posed at maturity; and
3. Servicing flexibility/cash flow relief – There are no ongoing payment obligations that could trigger default or cross default if missed.

The extent to which these aforementioned characteristics are present in a hybrid largely determines which of DBRS's 0%, 25%, 50%, 75% or 100% equity weightings is allocated to the instrument. As explained below, however, other factors can also influence the final determination.

Primary Factors

While the terms of hybrids can vary widely across issuers, certain fundamental characteristics are normally expected to be found in hybrids in order to justify any equity treatment. Such characteristics include:

i. Subordination in right of payment and security to all unsecured debt.

ii. A minimum assumed remaining term to maturity (as explained in the next section) of more than five years unaffected by issuer redemption rights with coupon step-up exceeding a certain threshold or debtholder redemption rights, except for hybrids where conversion to longer-term and/or more junior capital is a key factor.

iii. Ability to defer interest payments with no default for at least five years in order to provide operating flexibility.

The following provides details on the primary factors used by DBRS to assign equity treatment to hybrids.

i. Subordination

Although generally not as low-ranking as common equity, most hybrid instruments are deeply subordinated, typically ranking just above any traditional outstanding preferred shares. To qualify for equity treatment, DBRS generally expects a hybrid to be subordinated in right of payment and security to all other debt classes to provide loss absorption benefiting higher-ranking debt holders and creditors upon bankruptcy. The subordination requirement is the same for all equity weighting categories.

ii. Tenor and Redemption Rights

Term to maturity is an important consideration in the assessment of equity treatment of a hybrid and reflects the potential for equity-like permanence. Early redemption dates, however, particularly when combined with interest rate step-ups or triggers tied to rating agency downgrades or accounting changes, detract from the concept of permanence. Where an early redemption feature exists, DBRS will typically assume this early redemption date (rather than the contractual maturity) to be the maturity date for equity treatment purposes, subject to the discussion below.

Replacement Language

DBRS may consider the assumed remaining term to maturity to be later than a contractual early redemption date,[1] provided that there is written replacement language indicating an issuer's intention to replace notes that are redeemed at an early redemption date, with new notes having features that provide comparable rating agency equity treatment. Such replacement language need not be a contractual covenant; DBRS will accept written language in the offering documentation, provided that the language is sufficiently clear, transparent and has minimal exceptions. DBRS may also take into account qualitative considerations in the context of the issuer's past and expected future capital structure plans when gauging the issuer's intent to maintain the permanence of the hybrids in the capital structure.

Provided that there is proper written replacement language, DBRS may still extend the assumed maturity date beyond the contractual early redemption date even if there is no make-whole premium and even if the early redemption is triggered by changes in income tax treatment or weaker equity treatment resulting from a change to, or interpretation of, a rating agency's hybrid methodology or criteria. The contractual language describing income tax or rating agency triggers, however, must be narrowly defined. Early redemption triggers that have a broad scope, include a rating downgrade or entail a change in accounting rules seriously detract from permanence and may cause DBRS to assume that the maturity date will be the contractual early redemption date. In addition, where such triggers are present, DBRS may cap any equity treatment to 0% or, at most, 25%.

Step-Up in Coupon Rate

Even in the presence of replacement language, if there is a cumulative step-up in the hybrid note coupon of more than 1%, DBRS will assume the date of the 1% cumulative step-up to be the maturity date of the notes. For example, a hybrid (with suitable replacement language) that has a 60-year term, subject to an early redemption and step-up first exercisable in year ten but for which the step-up only reaches 1% in year 20, would be assumed to have a 20-year term for equity-treatment purposes.

Minimum Remaining Term to Maturity

Per the table below, for an equity weighting of 25%, DBRS requires an assumed remaining term to maturity of more than five years. Longer perceived permanence is expected for higher equity weightings, namely more than ten, 50 and 100 years for the 50%, 75% and 100% equity weightings, respectively.

iii. Interest Deferral

Interest deferability can provide significant shock absorption capability to an issuer's financial flexibility. The most favourable type of deferability is when accrued interest is non-cumulative and is cancelled when the issuer is unable to pay. In DBRS's view, this type of deferability is the closest to preferred equity and is required for equity weightings of 75% or 100%. To achieve 100% equity treatment, however, the deferral feature must be mandatory as opposed to optional and must be based on a meaningful test (e.g., cash flow-to-debt or debt service coverage) that forces deferability before the issuer's financial position gets unduly eroded. The second type of deferability occurs when interest is cumulative but payable with preferred or common equity. This form of deferability attracts the same equity treatment by DBRS as non-cumulative deferability as it also relieves the issuer of the liquidity pressure resulting from debt servicing obligations. The third and least favourable type of deferability occurs when interest is cumulative but payable with cash at the end of the grace period. While this feature provides relief, it is limited to the length of the grace period. As such, for hybrid notes with deferrable interest payable with cash, minimum grace periods of five years for 25% equity treatment and ten years for 50% equity treatment are required. A grace period shorter than five years results in a 0% equity weighting. To achieve equity treatment for the ability to defer interest, DBRS would expect restrictions in place that prevent dividend and/or interest payments to more junior instruments and the repurchase of common shares until the deferral period ends and all deferred payments are made.

The table below summarizes the primary characteristics used by DBRS to assign equity treatment to hybrids; however, the equity weighting can also be influenced by a wide range of secondary factors, some of which are described in the next section. While a negative consideration may sometimes be offset by a positive one, the absence of a primary characteristic is generally difficult to offset with any other consideration.

1. Acceptable replacement language can extend the maturity date beyond an early redemption date for all but the 100% equity weighting category. Acceptable replacement language is only of benefit up to the 75% equity weighting category; DBRS will not assign a 100% equity weighting benefit to any note with an early redemption feature.

Hybrid Features	25%	50%	75%	100%
Subordination	Required – to ALL debt types	Required - to ALL debt types	Required - to ALL debt types	Required – to ALL debt types
Assumed Remaining Term to Maturity (as determined by DBRS)	> Five years	> Ten years	> 50 years	> 100 years
Interest Deferral	Optional; Cumulative for up to five years; Payable with cash	Optional; Cumulative for up to ten years; Payable with cash	Optional; Non-cumulative or cumulative and payable with equity	Mandatory; Non-cumulative or cumulative and payable with equity
Redemption Rights without Make-Whole and Replacement Language	Acceptable	Acceptable	Acceptable	**Not acceptable while senior debt is outstanding**
Tax- and Rating Agency Event-Based Redemption Rights with no Make-Whole	Acceptable	Acceptable	**Not Acceptable**	**Not Acceptable**

Additional Factors

In addition to the primary factors described above, other considerations have the potential to influence DBRS' assessment of hybrid notes. The list below is not meant to be exhaustive, but outlines factors generally subject to enhanced scrutiny by DBRS. If deemed material, these additional factors are incorporated into the analysis to establish the final equity weighting. These factors are typically secondary in importance, but can be important considerations in selective cases.

Covenants and Events of Default: Events of default and covenants should be relatively benign and very limited in scope. Broad-reaching or unduly stringent debt terms may introduce vulnerability into the capital structure and can reduce the equity weighting of the hybrid notes.

Cross-Default: DBRS expects there to be no events of default that could automatically trigger a cross-default or cross-acceleration to higher-ranking debt noting, however, that the failure to pay amounts after application of all permitted deferral periods may trigger a wider default to higher-ranking debt, in which case lower equity treatment would likely result.

Standstill on Remedies: Standstill provisions prohibit holders of certain types of subordinated debt from taking any action upon an event of default to enforce their rights and remedies or to accelerate payment as long as senior debt is outstanding. This feature can provide resilience to an issuer and isolate senior bondholders from financial stress affecting lower-ranking debt instruments. Hybrids rarely carry a standstill provision as it significantly dampens the marketability of the notes, but DBRS requires it to achieve 100% equity treatment.

Voting Rights: By virtue of voting rights or required consent, subordinated debtholders should typically not be in a position to influence the issuer's decisions or its capital structure to the detriment of higher-ranking debtholders.

Lookback Provisions/Dividend Pushers: There can be provisions that may delay the issuer's ability to defer payments on a hybrid note because of the timing of common dividends or other capital instruments that rank in parity with the hybrid notes and, in some cases, the latter can also apply with declaration of such payments. DBRS would typically view these provisions as negative considerations in determining the equity weighting that would otherwise be possible. The degree of impact would depend on factors such as the length of time that deferral could be affected and the number of other securities to which the provision relates.

Payment in Kind (PIK) and Conversion Features: There are various types of securities with PIK or conversion features. From an equity treatment perspective, the most favourable structures involve mandatory payments with common equity or mandatory conversion to common equity at a future date. The sooner the conversion to common equity occurs, the more predictable it is and the more equity credit can be given to the hybrid; however, securities where conversion to equity depends on the ability of a trustee to sell common shares in the open market can be problematic in weak markets or when major company issues exist. As such, DBRS gives no equity consideration when this feature is present since the potential for the trustee to sell in an open market cannot be relied on. Securities where the conversion is at the option of the debtholder may attract partial equity treatment when the conversion price is deep in the money and the conversion is both possible and likely in the near term; however, a high level of equity treatment is normally precluded by the volatile nature of the stock market, which can quickly change an in-the-money position to one that is out of the money.

Preferred Shares

Preferred shares are normally less complicated than hybrids and, next to common equity, typically hold the ranking as the most junior security. Preferred shares are by, definition, equity and typically command a very high level of equity weighting. Preferred shares generally attract a 100% equity weighting, provided that DBRS is satisfied that the issuer has no intention to eventually replace the preferred shares with debt. This acknowledges the key features of the instrument such as permanence, the generally light terms (i.e., non-cumulative, contains no events of default or covenants) and the ability to defer dividends despite typical reluctance among issuers to suspend them. While issuers generally maintain the ability to redeem preferred shares with debt at any time after an initial non-call period, this element of uncertainty is more than offset by the broad above-mentioned benefits contributed by the instrument. Moreover, common stocks can also be bought back at any time. A reversal in the issuer's intention to preserve its preferred equity base would be treated by DBRS as an event, with potential implications for the rating(s) and any equity weightings assigned to the issuer's financial instruments. All preferred share dividend payments (not just those in excess of the 20% cap explained in the next section) are considered in coverage metrics as the fixed-charge coverage ratio and in the analysis of free cash flow.

It is not an event of default for preferred share dividends to be undeclared; however, failing to declare a preferred share dividend does not typically occur until a company is under severe stress. The same holds true for common dividends. As noted above, DBRS assesses both in the context of free cash flow. Preferred share dividends are seldom the leading factor for cash flow issues, which are more commonly the result of items such as reduced business prospects, high debt levels, common dividends and capital expenditure requirements.

Cap on Use of Hybrids and Preferred Shares

Even when all of these factors are satisfied, DBRS may still assign little or no equity treatment to a hybrid if an issuer uses such securities excessively. Accordingly, irrespective of the equity weighing assigned to a specific instrument, DBRS will treat as debt all incremental preferred shares and hybrids that lead the ratio of preferred equity and hybrids to common equity to exceed 20%. The amount of common equity will typically be the unadjusted figure reported by the issuer on its audited balance sheet, noting that DBRS retains flexibility to make certain adjustments to the numbers as deemed appropriate, such as for the accounting treatment of certain items (e.g., inclusion of non-cash marked-to-market derivative gains (losses) in retained earnings and in accumulated other comprehensive income).

There are cases where a parent may invest in a subsidiary through deeply subordinated debt for tax or other reasons with the intention that the security mirrors the attributes of equity. DBRS would typically assess a range of factors to establish if the latter has been achieved, such as cross-default trigger covenants, term and ability to defer interest. Regardless of these factors, the parent-subsidiary relationship is key and represents the only reason that DBRS would consider these debt instruments for high equity treatment. In these cases, the 20% cap rule does not apply.

Ratio Analysis

Where the amount of hybrids and preferred shares is material, DBRS will make adjustments to some of its key leverage ratios such as debt-to-EBITDA and cash flow-to-debt to reflect some of the flexibility contributed by these instruments. Except for deeply subordinated debt instruments qualifying for 100% equity treatment, DBRS does not make any adjustments to interest expenses and preferred share dividends for the purpose of calculating coverage ratios. Until an entity exercises its discretion to defer or adjust its payments per the terms of the instrument, DBRS expects payments to be made. As a result, related coverage ratios should include such payments.

Rating the Instruments

Relationship between the Instrument Rating and its Equity Weighting

Excluding normal notching considerations related to the ranking of securities, there is no direct correlation between the rating of a hybrid instrument and the level of equity weighting that it is assigned. This is because DBRS views the embedded covenants and other terms carried by hybrids as not materially affecting credit risk and, as such, does not penalize the rating of the instrument.

Nomenclature

As with the choice of rating scale, the name of the instrument is not to be viewed as a determining factor in DBRS's decision regarding equity value. Hybrids may be referred to as debt equivalents for tax, accounting or regulatory reasons, but this label does not preclude the fact that they may have significant equity value.

Choice of Rating Scale – Canadian-Only Issue

DBRS uses a separate rating scale for preferred shares issued in the Canadian securities market (Pfd-1 to Pfd-5) while debt hybrid instruments are rated using the global DBRS Long-Term Obligations Ratings Scale (AAA to C). Typically, there is a standard ranking relationship between debt and preferred share ratings whereby an entity with an "A" issuer rating will usually have its preferred shares rated as Pfd-2 and an entity with a BBB issuer rating will have a preferred shares rating of Pfd-3, and so on.

In those rare cases in which it is not automatically clear which scale should be used in rating a security, DBRS will look to elements such as the legal status of the instrument, whether payments are dividends or interest, the tax treatment of payments, the relative ranking of the issue in relation to other debt and outstanding preferred share issues and other relevant factors. It is thus possible that instruments with very similar underlying attributes could be rated on different scales. In these types of cases, DBRS believes that the choice of rating scale is independent of the decision on equity weighting and that securities with similar underlying attributes should receive similar equity weighting.

The sections that follow discuss situations in which ratings may deviate from the standard rating mapping.

Lower-than-Standard Mapping to Debt Ratings

When preferred shares become a proportionately large segment of the capital structure, the preferred share dividends will absorb a higher proportion of cash and earnings. DBRS may, in some situations, consider it appropriate to rate the preferred share rating one notch lower than suggested in the standard mapping; however, a very high level of preferred equity (and related dividend payments) could also be an issue for the issuer rating, which would in turn have an impact on all debt and preferred share ratings of the issuer. Because any preferred equity in excess of 20% of common equity (as adjusted) is already treated as debt, an additional notch reduction would only be considered necessary in unique circumstances where the ratio of preferred shares to common equity is at a high enough level that an issuer who is under pressure may have an additional incentive to pass on preferred dividends simply because of the relative size of the cash savings. DBRS approaches these situations on a case-by-case basis and would typically not consider such action unless the ratio of preferred to common equity is at least in the 40% to 50% range (based on preferred shares outstanding, not the amount that is given equity weighting) and the fixed-charge coverage ratio is considered weak. Credits with issuer ratings in non-investment grade territory are also more likely to encounter wider-than-typical notching differences.

Higher-than-Standard Mapping to Debt Ratings

In a case where an issuer has no or very minimal debt outstanding and no plans to issue in the future (including subordinated debt and intermediate hybrid instruments), the preferred shares may warrant a rating that is one notch higher than is typical as there are no debt obligations senior to it. The issuer would ideally document such intention in a covenant although, absent such covenants, DBRS may also consider management comments, past actions and whether the situation at hand supports making an exception; however, most issuers have non-debt unsecured obligations ranking higher than preferred equity, such as accounts payable and off-balance sheet liabilities, which are also factored into the analysis. This situation is rare and should not be considered the norm.



© 2016, DBRS Limited, DBRS, Inc. and DBRS Ratings Limited (collectively, DBRS). All rights reserved. The information upon which DBRS ratings and reports are based is obtained by DBRS from sources DBRS believes to be reliable. DBRS does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance. The extent of any factual investigation or independent verification depends on facts and circumstances. DBRS ratings, reports and any other information provided by DBRS are provided "as is" and without representation or warranty of any kind. DBRS hereby disclaims any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for any particular purpose or non-infringement of any of such information. In no event shall DBRS or its directors, officers, employees, independent contractors, agents and representatives (collectively, DBRS Representatives) be liable (1) for any inaccuracy, delay, loss of data, interruption in service, error or omission or for any damages resulting therefrom, or (2) for any direct, indirect, incidental, special, compensatory or consequential damages arising from any use of ratings and rating reports or arising from any error (negligent or otherwise) or other circumstance or contingency within or outside the control of DBRS or any DBRS Representative, in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing or delivering any such information. Ratings and other opinions issued by DBRS are, and must be construed solely as, statements of opinion and not statements of fact as to credit worthiness or recommendations to purchase, sell or hold any securities. A report providing a DBRS rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. DBRS receives compensation for its rating activities from issuers, insurers, guarantors and/or underwriters of debt securities for assigning ratings and from subscribers to its website. DBRS is not responsible for the content or operation of third party websites accessed through hypertext or other computer links and DBRS shall have no liability to any person or entity for the use of such third party websites. This publication may not be reproduced, retransmitted or distributed in any form without the prior written consent of DBRS. ALL DBRS RATINGS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS. PLEASE READ THESE DISCLAIMERS AND LIMITATIONS AT http://www.dbrs.com/about/disclaimer. ADDITIONAL INFORMATION REGARDING DBRS RATINGS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE AVAILABLE ON http://www.dbrs.com.

Corporate Headquarters | DBRS Tower – 181 University Avenue Suite 700 Toronto, ON M5H 3M7 | TEL +1 416 593 5577 | www.dbrs.com

From:	John Kim
To:	Gavin He
Cc:	Shajee Kathirgamanathan
Subject:	FW: RE: Fair Hydro Trust OM - Comments
Date:	Friday, January 12, 2018 1:29:12 PM
Attachments:	Fair Hydro Trust OM - Comments.msg RE Fair Hydro Trust OM - Comments.msg

Another set of emails.

From: Ronald Kwan
Sent: Friday, January 12, 2018 1:11 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: Fair Hydro Trust OM - Comments

Hi John,

FYI and any comments?

Ron

From: VINER, JON [JON.VINER@blakes.com]
To: Ken Kandeepan [Ken.Kandeepan@ofina.on.ca]; 'Thouin, Alena (ENERGY)' [Alena.Thouin@ontario.ca]; Tobias P. Whitfield (MOF) [Tobias.Whitfield@ontario.ca]; Mike Manning [Mike.Manning@ofina.on.ca]; Malle Hanslep (MOF) [Malle.Hanslep@ontario.ca]; Anna Strathy [Anna.Strathy@ofina.on.ca]; Ronald Kwan [Ronald.Kwan@ofina.on.ca]; Tim Christie (ENERGY) [Tim.Christie@ontario.ca]; Veinot, Cindy (TBS) [Cindy.Veinot@ontario.ca]; Mark Donaldson (MOF) [Mark.Donaldson@ontario.ca]; Sawwaf, Khareem (ENERGY) [Khareem.Sawwaf@ontario.ca]; Huang, Jackson (MEDG/MRIS) [Jackson.Huang@ontario.ca]; Daniel Cayley (ENERGY) [Daniel.Cayley@ontario.ca]; Lightbody, Ava (ENERGY) [Ava.Lightbody@ontario.ca]; James Rehob (ENERGY) [James.Rehob@ontario.ca]
CC: ASHBOURNE, STEPHEN [STEPHEN.ASHBOURNE@blakes.com]
Subject: Fair Hydro Trust OM - Comments
Date: Friday, January 12, 2018 11:51:54
Attachment 1: image227b4a.GIF
Attachment 2: FHT OM Comments - Cumulative Blackline against Torys draft.pdf
Attachment 3: FHT OM Comments - Incremental Blackline.pdf
Attachment 4: 23291241-v1-Fair Hydro Trust Investor Presentation - Comments.DOCX
Attachment 5: 23287504-v6-Fair Hydro OM - Comments of the Province.DOCX

All,

Please for your reference please find attached copies of the following documents:

- Clean copy of comments on the FHT OM

- Blacklined copy of comments on the FHT OM showing changes against Torys' draft

- Blacklined copy of comments on the FHT OM showing changes against the previously circulated draft

- Comments on the Investor Presentation (with revisions indicated in red, blue or highlighted text).

Once you have had a chance to review, please let us know if you would like to discuss.

Kind regards,

Jon

Jon Viner

Associate

jon.viner@blakes.com

Dir: 416-863-2499

———————————

Blake, Cassels & Graydon LLP
199 Bay Street, Suite 4000, Toronto ON M5L 1A9
Tel: 416-863-2400 Fax: 416-863-2653
blakes.com[blakes.com] **| Twitter**[twitter.com] **| Unsubscribe**[blakes.com]

Blake, Cassels & Graydon LLP | Barristers & Solicitors | Patent & Trade-mark Agents
This email communication is CONFIDENTIAL AND LEGALLY PRIVILEGED. If you are not the intended recipient, please notify me at the telephone number shown above or by return email and delete this communication and any copy immediately. Thank you.

L'information paraissant dans ce message électronique est CONFIDENTIELLE. Si ce message vous est parvenu par erreur, veuillez immédiatement m'en aviser par téléphone ou par courriel et en détruire toute copie. Merci.

This confidential shelf offering memorandum constitutes an offering of these securities only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale. This confidential shelf offering memorandum is not, and in no circumstances is to be construed as, a prospectus or advertisement or public offering of these securities. ***No securities commission or similar authority in Canada or in any other jurisdiction has reviewed this material or in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.*** *Persons who acquire securities pursuant to this confidential shelf offering memorandum will not have the benefit of the review of this material by any securities commission or similar authority. The information contained in this confidential shelf offering memorandum has been furnished or supplied by the Issuer based on the most accurate information available as at the date hereof and there is no representation or warranty by the Agents as to the accuracy or completeness of such information. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "****U.S. Securities Act****") or any state securities laws and may not be offered or sold within the United States or to, or for the account of, U.S. persons (within the meaning of Regulation S under the U.S. Securities Act) unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available. See "Plan of Distribution". This confidential shelf offering memorandum is confidential and contains certain information not publicly disclosed. No one is authorized to make any representation or give any warranty on behalf of the Issuer other than those representations and warranties made or referred to in this confidential shelf offering memorandum.*

The information contained in this confidential shelf offering memorandum and delivered in connection with the private placement of the Senior Notes by the Issuer is confidential, is for the confidential use of only those persons to whom it is delivered in connection with the offering solely for the purpose of considering the purchase of the Senior Notes and its use for any other purpose is prohibited. By accepting this confidential shelf offering memorandum, each prospective purchaser agrees that it will not transmit, reproduce or make available to anyone, other than their respective advisors (so long as they advise such advisors of the confidential nature of such document), this confidential shelf offering memorandum (including any Term Sheets) or any information contained herein, and will not use such information (or permit its advisors to use such information) for any purpose other than to evaluate an investment in the Senior Notes pursuant to an Offering.

CONFIDENTIAL SHELF OFFERING MEMORANDUM

New Issue By Way of Private Placement January ■, 2018

FAIR HYDRO TRUST
Senior Secured Notes

Fair Hydro Trust (the "**Issuer**"), a special purpose trust ~~established under~~governed by the laws of the Province of Ontario, established by Computershare Trust Company of Canada, acting as trustee of the Issuer, and caused to be established by Ontario Power Generation Inc. ("**OPG**"), as Financial Services Manager (as hereinafter defined), has created a program providing for the offering and issuance of senior secured notes (the "**Senior Notes**"), in one or several offerings. The Issuer was established in connection with the *Ontario Fair Hydro Plan Act, 2017* (the "**FHPA**"), legislation [that reallocates certain electricity costs over time and provides immediate rate relief to Specified Consumers (a category of consumers that generally is comprised of residential consumers, small businesses and farms).][1] Under the FHPA, ~~Ontario Power Generation Inc. ("**OPG**")~~OPG is appointed as the initial financial services manager (in such capacity, the "**Financial Services Manager**") and is given the authority to, among other things, establish, or cause to be established, one or more financing entities (each, a "**Financing Entity**") to incur payment obligations (referred to as "**Funding Obligations**") for the purposes of the FHPA.[2] The Issuer is a Financing Entity under the FHPA and the Senior Notes are Funding Obligations being offered for the purposes of the FHPA.

The Senior Notes do not constitute a debt, liability or other obligation of, or interest in, OPG or any of its other affiliates (other than the Issuer). The Senior Notes are not a debt, liability or ~~general~~ obligation of the Province of Ontario or any of its political subdivisions, agencies or instrumentalities. The Senior Notes will not be insured or guaranteed by the Province of Ontario, OPG or any of their respective affiliates or any other person or entity, except that the Province of Ontario has agreed to provide a limited guarantee in respect of the Senior Notes following the occurrence of certain events. See *"Change of Law Protection Agreement"*. The Senior Notes will be ~~nonrecourse~~limited recourse obligations, secured only by the collateral described in this confidential shelf offering memorandum. See *"Capital Markets Platform — Acceleration and Remedies — Limited Recourse"* and *"Risk Factors"*.

[1] **Note:** This narrative should be removed or, if necessary, it should track the purposes of the FHPA set out in Section 3 of the Act.
[2] **Note:** The statutory definition of "funding obligation" provides that the funding obligations have the purpose of funding ownership in an investment interest. Please consider revising the definition of "funding obligation" to more closely track that in the Act.

The specific terms of any offering of Senior Notes, including, without limitation, the aggregate principal amount of Senior Notes being offered, the currency of the Senior Notes, the issue price (at par, at a discount or at a premium), the issue, delivery and maturity dates, any redemption or repayment provisions, the rating of the Senior Notes at the time of such offering, the interest (either fixed or floating and the circumstances, if any, under which the rate may be adjusted), the interest rate basis and interest payment dates, will be established by the Issuer and set forth in a term sheet (a "**Term Sheet**") that will accompany, be incorporated by reference in and form an integral part of this confidential shelf offering memorandum. Unless otherwise specified in a Term Sheet, the Senior Notes will not be listed on any securities exchange.

The offering of Senior Notes from time to time (each, an "**Offering**") will be made pursuant to exemptions from the prospectus requirements of applicable securities laws in each of the provinces of Canada only to "accredited investors" (as such term is defined in National Instrument 45-106 – *Prospectus Exemptions* ("**NI 45-106**") and, in the case of a purchaser resident in Ontario, section 73.3(1) of the *Securities Act* (Ontario)) that are purchasing the Senior Notes as principal and that are not individuals unless those individuals are also "permitted clients" (as such term is defined in National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("**NI 31-103**")). Purchasers of Senior Notes will be obliged to establish their qualification to invest in accordance with the requirements of the securities laws of the jurisdiction in which they reside. See *"Representations and Agreements of Purchasers"*. As each Offering will be made pursuant to exemptions from prospectus requirements of applicable securities laws, there will be restrictions on the resale of the Senior Notes. See *"Risk Factors"* and *"Restrictions on Resale"*.

The Senior Notes may be sold by the Issuer directly pursuant to applicable statutory exemptions or through agents designated by the Issuer from time to time (the "**Agents**"). See *"Plan of Distribution"*. Each Term Sheet will identify the Agents engaged to conditionally offer the Senior Notes for sale on a best efforts basis, subject to prior sale, in connection with the applicable Offering of Senior Notes and will also set forth the terms of such Offering of Senior Notes, including the net proceeds to the Issuer and, to the extent applicable, any fees payable to the Agents.

Subscriptions for the Senior Notes will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Senior Notes will be delivered and recorded in book-entry form through CDS Clearing and Depository Services Inc. ("**CDS**") or another depository selected by the Issuer in accordance with the master trust indenture governing the Senior Notes. The Senior Notes will be represented by fully registered book-entry notes held by, or on behalf of, such depository, or a successor thereof, as the custodian of the book-entry notes, in its name or the name of its nominee.

The Senior Notes will be issued under and will be entitled to the benefits of a master trust indenture dated as of December 21, 2017 between the Issuer, as issuer, and BNY Trust Company of Canada, as indenture trustee, as amended or supplemented by supplemental indentures thereto.

In making an investment decision, prospective investors acknowledge that they have not relied on the Agents or any person affiliated with the Agents for investment or other advice and are relying on their own examination of the terms of an Offering, including the merits and risks involved and creditworthiness of the Issuer. Prospective investors are not to construe the contents of this document as legal, tax, accounting or investment advice. Prior to investing in the Senior Notes, prospective investors should consult with their legal, tax, accounting and investment advisors to determine the consequences of an investment in the Senior Notes. See *"Risk Factors"* for a discussion of certain factors that should be considered by prospective purchasers of Senior Notes.

The Issuer is not a "reporting issuer" (as such term is defined under applicable Canadian securities laws) in any jurisdiction. The Issuer will only distribute the Senior Notes in Canada under exemptions from the prospectus requirements of the securities laws of the provinces where they are sold. The Senior Notes may only be traded in Canada under exemptions from the prospectus requirements of the securities laws of the provinces in which they are traded and only through dealers registered or exempt from the dealer registration requirements of applicable Canadian securities laws. See *"Restrictions on Resale"*.

There is currently no secondary market for the Senior Notes. There can be no assurance that a secondary market will develop or, if a secondary market does develop, that it will provide holders of Senior Notes with

liquidity for their investment or that it will continue for the term of the applicable Senior Notes. Accordingly, purchasers of the Senior Notes may be required to bear the financial risk of investing in such Senior Notes until the maturity date of such Senior Notes.

No person is authorized to give any information or make any representation other than those contained in this confidential shelf offering memorandum in connection with an Offering and any decision to purchase Senior Notes should be based solely on the information contained herein. The Term Sheet applicable to such Offering and the investor presentation (the "**Investor Presentation**"), attached hereto as Exhibit 1, are incorporated by reference and included in, respectively, and form an integral part of, this confidential shelf offering memorandum. The information contained in the Investor Presentation is current only as of the date thereof. The Investor Presentation may be updated and replaced by the Issuer in connection with an Offering and such updated Investor Presentation will be attached as Exhibit 1, and will be included in, and form an integral part of, this confidential shelf offering memorandum delivered in respect of such Offering.

This confidential shelf offering memorandum, including the Investor Presentation attached hereto, and any Term Sheets, are provided on a confidential basis to prospective investors for informational use solely in connection with their consideration of the purchase of Senior Notes. Use for any other purpose is not authorized. Each Offering will be made solely on the basis of the information contained herein or incorporated by reference which has been furnished by the Issuer. No Agent makes any representation or warranty, express or implied, as to the accuracy, adequacy or completeness of such information. Furthermore, no Agent has independently verified the information in this confidential shelf offering memorandum and has no responsibility for the accuracy, adequacy or completeness of any such information.

This confidential shelf offering memorandum does not contain all of the information that would normally appear in a prospectus qualified under applicable Canadian securities laws. Neither the delivery of this confidential shelf offering memorandum, at any time, nor any sales made pursuant hereto, will imply that the information contained herein is correct as of any time subsequent to the date set forth on the face page hereof and the Issuer and the Agents will not update such information except as may be required by applicable law.

Capitalized terms used and not otherwise defined in this confidential shelf offering memorandum have the meanings ascribed to them in the glossary starting on page [92] of this confidential shelf offering memorandum. All figures in this confidential shelf offering memorandum are in Canadian dollars unless otherwise noted.

TABLE OF CONTENTS

Page

CAUTION REGARDING FORWARD-LOOKING INFORMATION v
CONFIDENTIALITY vii
DOCUMENTS INCORPORATED BY REFERENCE vii
MARKET AND INDUSTRY DATA ..... ~~vii~~viii
REFERENCES TO THE FHPA AND RELATED REGULATIONS viii
SUMMARY 1
THE ELECTRICITY INDUSTRY IN ONTARIO ..... ~~15~~17
ONTARIO'S FAIR HYDRO PLAN ..... ~~18~~20
CHANGE OF LAW PROTECTION AGREEMENT ..... ~~24~~27
THE ISSUER ..... ~~27~~32
THE MANAGER ..... ~~29~~34
SUBORDINATED DEBT ..... ~~32~~36
SHORT TERM INDEBTEDNESS ..... ~~33~~37
THE TRANSFEROR AND SERVICER ..... ~~34~~38
CREDIT RATINGS ..... ~~36~~40
RATING AGENCY CONDITION ..... ~~36~~41
CAPITAL MARKETS PLATFORM ..... ~~37~~41
DESCRIPTION OF NOTES ..... ~~60~~65
DEPOSITORY SERVICES ..... ~~63~~67
PLAN OF DISTRIBUTION ..... ~~64~~69
RISK FACTORS ..... ~~65~~69
REPRESENTATIONS AND AGREEMENTS OF PURCHASERS ..... ~~77~~82
LANGUAGE OF DOCUMENTS ..... ~~81~~86
RESTRICTIONS ON RESALE ..... ~~81~~86
REPORTING REQUIREMENTS ..... ~~82~~87
STATUTORY RIGHTS OF ACTION ..... ~~82~~87
INDENTURE TRUSTEE ..... ~~93~~97
LEGAL MATTERS ..... ~~93~~97
GLOSSARY ..... ~~94~~98
SCHEDULE A – CANADIAN PROVINCIAL SECURITIES REGULATORY AUTHORITIES ..... ~~106~~110
EXHIBIT 1 ~~– INVESTOR PRESENTATION~~ ..... ~~107~~ 111

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Some of the statements contained in this confidential shelf offering memorandum, including those relating to the Issuer's expectations, forecasts, strategic and other statements, are forward-looking information within the meaning of securities laws. Forward-looking information is contained in the summary and in the sections titled *"Ontario's Fair Hydro Plan — Fair Allocation Amount & Financing Plan"*, *"Subordinated Debt"*, *"■"*[3] and *"Risk Factors"* of this confidential shelf offering memorandum and *"Financing Plan / Strategy"*, *"Financing Structure"*, *Aggregate Financing Program"*, *"■"*[4] and *"Consumer Bill Forecast with FHP"* of the Investor Presentation. The forward-looking statements contained in this confidential shelf offering memorandum are presented for the purposes of assisting potential purchasers in making an investment decision regarding the Senior Notes and may not be appropriate for other purposes.

Often, but not always, forward-looking information can be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management of the Issuer made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that the Issuer believes to be relevant and reasonable at the date that such statements are made. A variety of factors, many of which are beyond the Issuer's control, may cause actual results to differ materially from the expectations expressed in the forward-looking statements. These factors include, but are not limited to, the following risks:

Judicial, Legislative or Regulatory Risks:

- Future legal action might challenge or invalidate the FHPA or the Regulations and materially adversely affect a holder's investment in the Senior Notes.
- Future legislative action to change the FHPA, the Regulations, the Change of Law Protection Agreement or the electricity market might materially adversely affect a holder's investment in the Senior Notes.
- Future regulatory action to change the rules applicable to the operation of the electricity market might materially adversely affect a holder's investment in the Senior Notes.
- Future judicial action could reduce the value of a holder's investment in the Senior Notes.
- Potential difficulties in enforcing civil liabilities against the Province of Ontario may arise.

Risks Associated with the Unusual Nature of the Investment Asset:

- Clean Energy Adjustments will not be payable until May 1, 2021 and until such time the IESO will be the sole source of funds for payment on the Senior Notes.
- The Issuer's ability to enforce security granted by the IESO may be ~~significantly~~ impaired or delayed.
- A holder of Senior Notes may experience material payment delays because the source of funds for payment after the Moratorium Period is limited.
- The Clean Energy Adjustment may not be billed after April 30, 2047, unless further regulations to extend that date are passed.
- Foreclosure of the Indenture Trustee's lien on the Investment Interest securing the Senior Notes might not be practical and acceleration of the Senior Notes before maturity might have little practical effect.
- The Issuer may issue multiple Series of Senior Notes secured by the Investment Interest and some decisions affecting holders of Senior Notes may require approval by resolution of the holders of all Series of Senior Notes.
- If a Series of Senior Notes or all Senior Notes are accelerated, a holder of Senior Notes might receive payment of principal sooner or later than expected.
- The Issuer may have a co-ownership interest in the Investment Asset with other Financing Entities.

[3] **Note:** Please complete.
[4] **Note:** Please complete.

- If the Clean Energy Adjustment amounts and other funds held in the Issuer Accounts results in investment losses or the investments become illiquid, a holder of Senior Notes might receive payment of principal of and interest on the Senior Notes later than expected.

Servicing, Operating and Consumer Risks

- Payments on the Senior Notes depend on the performance of Electricity Vendors and the IESO.
- Payments on the Senior Notes depend on the performance of OPG as Financial Services Manager and as Manager of the Issuer.
- Inaccurate consumption forecasting or unanticipated delinquencies or write-offs might reduce or delay scheduled payments on the Senior Notes.
- Changes to billing and collection practices may reduce the amount of funds available for payments on the Senior Notes.
- Limits on rights to terminate service to Specified Consumers might make it more difficult to collect the Clean Energy Adjustment.
- It might be difficult for the Issuer to collect the Clean Energy Adjustment from Specified Consumers.
- Indemnification obligations of OPG and the IESO are limited and might not be sufficient to protect the investments in the Senior Notes.
- Delinquent or partial payments of electricity bills may make principal payments on the Senior Notes occur later than expected.
- Power outages could impair payment of the Senior Notes.[5]
- Technological changes that make alternative energy sources more attractive in the future or significant population fluctuations may result in fewer Specified Consumers from whom to collect the Clean Energy Adjustment.

Insolvency-Related Risks

- If the Issuer were to become subject to Canadian Insolvency and Restructuring Laws, the Indenture Trustee's ability to enforce security granted by the Issuer may be significantly impaired or delayed.
- If the IESO or any Electricity Vendor were to become subject to Canadian Insolvency and Restructuring Laws, collections that have been commingled may be unrecoverable and the Issuer's ability to enforce its rights against the IESO may be significantly impaired or delayed.
- If OPG were to become subject to Canadian Insolvency and Restructuring Laws, the Issuer's ability to enforce its rights against OPG may be significantly impaired or delayed and the Issuer's assets and liabilities may be substantively consolidated with those of OPG.
- If the Issuer Trustee were to become subject to Canadian Insolvency and Restructuring Laws, the assets and liabilities of the Issuer may be substantively consolidated with the Issuer Trustee.
- If a Specified Consumer were to become subject to Canadian Insolvency and Restructuring Laws, the Issuer's ability to collect Clean Energy Adjustment amounts from such Specified Consumer may be adversely affected.
- If amounts in the Issuer Accounts for any Series are invested with entities that become subject to insolvency proceedings, the Issuer's ability to make payments to holders of Senior Notes may be adversely affected.

Other Risks:

- The credit ratings are not an indication of the expected rate of payment of principal on the Senior Notes.
- If the ratings on the Senior Notes are withdrawn or revised downward, the value of a holder's investment in the Senior Notes may be adversely affected.
- The credit ratings of the IESO, OPG and the Province of Ontario might affect the market value of the Senior Notes.
- The absence of an established market for the Senior Notes might limit the ability to resell or refinance the Senior Notes.
- Restrictions on resale might limit the ability to resell the Senior Notes.

[5] Is this relevant? Is the concern that the CEA would be spread across a relatively smaller base due to lower usage in a period?

Please also see *"Risk Factors"*.

The Issuer does not intend, or assume any obligation, to update any forward-looking information except as may be required by applicable law.

CONFIDENTIALITY

PRIOR TO RECEIVING THIS CONFIDENTIAL SHELF OFFERING MEMORANDUM, EACH PROSPECTIVE PURCHASER MUST HAVE ENTERED INTO A CONFIDENTIALITY UNDERTAKING WITH THE ISSUER (IN A FORM ACCEPTABLE TO THE ISSUER) WHICH PROVIDES THAT BY ACCEPTING A COPY OF THIS CONFIDENTIAL SHELF OFFERING MEMORANDUM, EACH PROSPECTIVE PURCHASER AGREES THAT ALL INFORMATION CONTAINED HEREIN, ALL DOCUMENTS DELIVERED IN CONNECTION HEREWITH AND ALL OTHER INFORMATION OBTAINED BY PROSPECTIVE PURCHASERS IN RELATION TO THE ISSUER (COLLECTIVELY, THE "**CONFIDENTIAL INFORMATION**") IS CONFIDENTIAL, THAT NONE OF THE CONFIDENTIAL INFORMATION WILL BE COPIED, TRANSCRIBED, RECORDED OR TRANSMITTED BY THE RECIPIENT FOR ANY REASON OR USED FOR ANY PURPOSE OTHER THAN EVALUATING AN INVESTMENT IN THE NOTES, AND THAT THE RECIPIENT WILL HOLD ALL OF THE CONFIDENTIAL INFORMATION IN CONFIDENCE AND WILL NOT PROVIDE ANY OF IT TO ANY THIRD PARTIES OTHER THAN PERSONS RETAINED TO ADVISE THE RECIPIENT WITH RESPECT TO THE PURCHASE OF THE NOTES (SO LONG AS THEY ADVISE SUCH PERSONS OF THE CONFIDENTIAL NATURE OF SUCH CONFIDENTIAL INFORMATION), WITHOUT THE PRIOR WRITTEN CONSENT OF THE ISSUER. ***[NTD: Logistics to be discussed between Dealers and OPG.]***

DOCUMENTS INCORPORATED BY REFERENCE

A Term Sheet containing the specific variable terms in respect of an Offering will be delivered to prospective purchasers of Senior Notes together with this confidential shelf offering memorandum and will be deemed to be incorporated into this confidential shelf offering memorandum as of the date of such Term Sheet, solely for the purposes of the Senior Notes issued under such Term Sheet.

The information contained in the Investor Presentation is current only as of the date thereof. The Investor Presentation may be updated and replaced by the Issuer in connection with an Offering and such updated Investor Presentation will be attached as Exhibit 1, and will be included in, and form an integral part of, this confidential shelf offering memorandum delivered in respect of such Offering.

Any statement contained in the confidential shelf offering memorandum or in any document incorporated or deemed to be incorporated by reference in the confidential shelf offering memorandum shall be deemed to be modified or superseded, to the extent that a statement contained herein or in any other subsequent document which is or is deemed to be incorporated by reference in the confidential shelf offering memorandum, modifies or supersedes such prior statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of the confidential shelf offering memorandum, except as so modified or superseded.

MARKET AND INDUSTRY DATA

Certain of the information contained herein concerning the electricity industry in Ontario is based upon or derived from information provided by third party sources, including industry publications and other publicly available industry sources. Neither the Issuer nor the Agents guarantee the accuracy of such information and neither the Issuer nor the Agents have independently verified the assumptions upon which projections of future trends and performance are based. This information and data is subject to change and cannot always be verified with complete

certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey of market or industry data. As a result, prospective purchasers should be aware that the information and data set forth herein, and estimates and beliefs based on such information and data, may not be reliable.

REFERENCES TO THE FHPA AND RELATED REGULATIONS

This confidential shelf offering memorandum describes certain provisions of the *Ontario Fair Hydro Plan Act, 2017* and the regulations made pursuant to that Act. These descriptions include simplified and summary descriptions of the terms and requirements of the legislation and do not purport to be comprehensive, definitive or determinative. All references in this confidential shelf offering memorandum to the terms and requirements of the *Ontario Fair Hydro Plan Act, 2017* and the regulations made pursuant to that Act are qualified in their entirety by reference to the specific terms and requirements set forth in such legislation, copies of which are available at https://www.ontario.ca/laws/statute/17o16.

SUMMARY

This summary does not contain all the information prospective purchasers should consider before investing in the Senior Notes. Prospective purchasers should read this entire confidential shelf offering memorandum carefully, including the section entitled "Risk Factors". Capitalized terms used and not otherwise defined in this summary have the meanings ascribed to them in the glossary starting on page [92] of this confidential shelf offering memorandum.

Issuer:	Fair Hydro Trust, a special purpose trust ~~established under~~governed by the laws of the Province of Ontario.
Manager:	Ontario Power Generation Inc. ("**OPG**"), pursuant to the terms of the Management Agreement.
Limitations:	The Senior Notes do not constitute a debt, liability or other obligation of, or interest in, OPG or any of its other affiliates (other than the Issuer). The Senior Notes are not a debt, liability or obligation of the Province of Ontario or any of its political subdivisions, agencies or instrumentalities. The Senior Notes will not be insured or guaranteed by the Province of Ontario, OPG or any of their respective affiliates or any other person or entity, except that the Province of Ontario has agreed to provide a limited guarantee in respect of the Senior Notes following the occurrence of certain events. See *"— Change of Law Protection Agreement".*
Ontario~~'s~~ Fair Hydro Plan Act:	~~On March 2, 2017, the Province of Ontario announced its Fair Hydro Plan, proposing to lower the average electricity bill for certain eligible customers.~~ On June 1, 2017, the Ontario ~~government~~Legislature passed the Ontario Fair Hydro Plan Act, 2017 (the "**FHPA**"), ~~legislation that reallocates certain electricity costs over time and provides immediate rate relief to~~. The FHPA was enacted to: (i) ensure that Clean Energy Costs and Clean Energy Benefits are fairly allocated among present and future Specified Consumers (a category of consumers that generally is comprised of residential consumers, small businesses and farms). ~~From~~; (ii) recognize that Clean Energy Benefits have accrued and will accrue over time and will continue to benefit present and future electricity consumers in Ontario; and (iii) align Clean Energy Costs with Clean Energy Benefits, in order to provide fairness for Specified Consumers over time. As a result, from July 1, 2017 until April 30, 2018, electricity rates payable by Specified Consumers will in effect be the rate that would result in a representative consumer being charged an invoice amount that is 25%[~~1~~6] less than the rate that would otherwise have been determined by the Ontario Energy Board (the "**OEB**") under its Regulated Price Plan[7] for that period. Under the FHPA, OPG is appointed as the initial financial services manager (in such capacity, the "**Financial Services Manager**") and is given the authority to, among other things, establish, or cause to be established, one or more financing entities (each, a "**Financing Entity**") to incur payment obligations (referred to as "**Funding**

[~~1~~6] The 25% reduction includes an 8% rebate equivalent to the provincial portion of the harmonized sales tax previously granted by the Ontario government.

[7] Specified Consumers, as a class, are not a one-to-one equivalent class to the RPP consumer class.

	Obligations") for the purposes of the FHPA and the Regulations.[8] The Issuer is a Financing Entity[9] under the FHPA and the Regulations and the Notes are Funding Obligations being offered for the purposes of the FHPA and the Regulations. See *"Ontario's Fair Hydro Plan — Background"*.
Summary of the Fair Hydro Financing Program:	The implementation of the Fair Hydro Plan is intended to be financed by the Issuer through the Fair Hydro financing program. The program provides for the offering and issuance by the Issuer of Senior Notes, in any number of series (each a "**Series**"), in one or several offerings (each, an "**Offering**"). A Term Sheet will describe particulars of the terms of each Series of Senior Notes and will be incorporated by reference and form an integral part of this confidential shelf offering memorandum. Each Series of Senior Notes will be issued under the master trust indenture dated as of December 21, 2017 (as amended, supplemented, restated or otherwise modified from time to time, the "**Master Trust Indenture**") between the Issuer, as issuer, and BNY Trust Company of Canada, as indenture trustee (the "**Indenture Trustee**"), as supplemented by a supplemental indenture dated the date of the issuance of such Series between the Issuer and the Indenture Trustee (a "**Supplemental Indenture**" and collectively with the Master Trust Indenture, the "**Indenture**") authorizing that Series.
Transferor and Servicer:	The Independent Electricity System Operator (the "**IESO**") is a not-for-profit corporation established under the *Electricity Act, 1998* (Ontario). The IESO manages the operation and reliability of Ontario's bulk power system and administers the wholesale electricity market.[10] Each month, the IESO will determine the shortfall resulting from the rate reduction mandated by the FHPA and record the amount in a variance account. The IESO has the right, exercisable in accordance with the FHPA and the Regulations, to recover the balance recorded in the variance account from Specified Consumers (such right, the "**Regulatory Asset**"). However, the FHPA provides that the IESO is not permitted to exercise such right before May 1, 2021 is limited under the FHPA. The IESO has entered into a master transfer and servicing agreement with the Issuer dated as of December 21, 2017 (as amended, supplemented, restated or otherwise modified from time to time, the "**Master Transfer and Servicing Agreement**") pursuant to which the IESO may, on a monthly basis, offer to transfer a specified portion of the Regulatory Asset to the Issuer in accordance with the FHPA. See *"Transferor and Servicer"*.
Investment Interest:	Upon acceptance of the transfer by the IESO of a specified portion of the Regulatory Asset, the Issuer will acquire an Investment Interest in the Investment Asset, which is a current and irrevocable property right consisting of the ~~right~~rights specified in the FHPA, including the right and interest to impose, invoice, collect, receive and recover the Clean Energy Adjustment from Specified Consumers in accordance with the

[8] **Note:** The statutory definition of "funding obligation" provides that the funding obligations have the purpose of funding ownership in an investment interest. Please consider revising the definition of "funding obligation" to more closely track that in the Act.

[9] **Note**: Elsewhere, the disclosure refers only to the Issuer without adverting to the possibility of other future Financing Entities. To the extent that this simplification suggests in a particular context that other future Financing Entities would not be permitted or similarly treated, references to the Trust should be broadened to encompass the possibility of future Financing Entities.

[10] **Note:** Consider also referring to IESO's planning and procurement functions. They may be meaningful here to the extent they impact IESO objectives and governance generally.

FHPA and the Regulations. See *"— Clean Energy Adjustment"* below and *"Ontario's Fair Hydro Plan — Regulatory Asset"*, *"Ontario's Fair Hydro Plan — Investment Interest"* and *"The Transferor and Servicer"*.

Clean Energy Adjustment:

The FHPA and the Regulations impose an irrevocable and non-bypassable charge referred to as the Clean Energy Adjustment that will be determined by the Financial Services Manager ~~and will be converted by the OEB into a $/kWh rate and added to the electricity invoices sent to~~based on the calculations and parameters set out in the FHPA. The OEB is required to determine the rates at which Specified Consumers are to be invoiced in order to recover the Clean Energy Adjustment in respected of a specified Reference Period (which is generally a six month period, or a shorter period in certain circumstances). The rates are to be determined by reference to forecasted electricity consumption of Specified Consumers for a period and are expressed as a cent per KWh rate. See *"— Statutory Duties of the OEB"* below.

The required Clean Energy Adjustment ~~is an amount~~will be determined by the Financial Services Manager for each month in a Reference Period ~~(which is generally a six month period, subject to more frequent determinations in certain circumstances)~~ and consists of the sum (without duplication) of: (i) the estimated Finance Amount in respect of the Reference Period, which ~~includes all financing and other expenses of the Issuer for~~will include an estimate of all repayments, redemptions, funding costs, derivative payments, required deposits, Issuer expenses and taxes, and other amounts paid or payable during such Reference Period, and (ii) the True-up Amount for such Reference Period, all divided by the number of months in the applicable Reference Period.

The "**True-up Amount**" is ~~comprised of~~required to be calculated by the Financial Services manager in accordance with the Regulations. In principle, the True-up Amount should serve to ensure that the collection of the Clean Energy Adjustment is sufficient to pay the Finance Amount when it is due, by capturing any Finance Amounts not previously received in respect of the Clean Energy Adjustment during preceding Reference Periods ~~plus other anticipated shortfalls.~~ .

The True-up Amount ~~accounts for~~may also reflect historical and reasonably foreseeable differences between the ~~required Clean Energy Adjustment~~estimated and actual Finance Amount; between amounts invoiced and amounts collected due to various factors, including applicable taxes, consumer defaults and delays, billing lags and write-offs~~,~~; and variations in billings due to variations in electricity consumption ~~and~~. In determining such differences, the Financial Services Manager is required to have regard to amounts payable that were not collected and any amounts in respect of which an overpayment was made, which may include amounts resulting from a default of Specified Consumers, an Electricity Vendor or the IESO, whether in its capacity as an Electricity Vendor or its activities as agent or otherwise under the FHPA and the Regulations. The Financial Services Manager is obligated to calculate the True-up Amount in respect of each Reference Period so long as all Funding Obligations and other Finance Amounts have not ~~be~~been paid in full. The

Financial Services Manager may also, at any time during a Reference Period, determine an interim True-up Amount if, among other things, it reasonably forecasts that the collection of the Clean Energy Adjustment will be insufficient to pay the estimated Finance Amount for ~~such~~a Reference Period.

[Commencing May 1, 2021, a charge in respect of the Clean Energy Adjustment will be included on invoices sent to Specified Consumers, and collected and remitted to the Issuer to pay amounts owing on the Senior Notes and all other administrative and other financing expenses of the Issuer. From July 1, 2017 until April 30, 2021 (the "**Moratorium Period**"), no Clean Energy Adjustment amounts are permitted to be collected from Specified Consumers. During the Moratorium Period, the sole source of funds for payment on the Senior Notes, and the Issuer's other ~~carrying costs~~Carrying Costs, will be the amounts the IESO is obligated to pay under the Regulations during such period. See *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.][11]

Non-bypassability:

The FHPA mandates that an amount in respect of the Clean Energy Adjustment shown on an invoice issued to a Specified Consumer is determinative of the amount of the consumer's indebtedness resulting from the Clean Energy Adjustment, and is irrevocable on invoicing such Specified Consumer and may not be set off or bypassed. See *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

Payment of Carrying Costs during the Moratorium Period:

During the Moratorium Period and extending to July 31, ~~2021,~~2021,[12] the IESO, which is rated A(high) by DBRS Limited ("**DBRS**") and Aa2 by Moody's Investors Services, Inc. ("**Moody's**"), is required under the Regulations to pay and remit to the Issuer any amounts charged to the IESO by the Issuer in respect of its ~~carrying costs~~Carrying Costs. Under the Regulations, ~~"carrying costs"~~Carrying Costs include all funding costs, such as interest on the Senior Notes, and other expenses of the Issuer, other than repayment of principal on any debt obligations of the Issuer (such as principal on the Senior Notes).[13]

Pursuant to the Master Transfer and Servicing Agreement, on or before the fourth business day of each calendar month, the Issuer will submit a carrying costs statement to the IESO certifying the amount of ~~carrying costs~~Carrying Costs estimated to be incurred by the Issuer in the following month. On or before the 14th business day following receipt of the Issuer's carrying costs statement,[14] the IESO is required to deliver the amount specified therein to the Issuer. See *"The Transferor and Servicer"*. The IESO has a $2 billion unsecured credit facility provided by the Ontario Financing Authority, expiring ■, 20■,

[11] **Note:** This narrative should more precisely track the FHPA. The relevant provisions are Section 25(3) [*the IESO shall not be entitled to collect all or part of the balance recorded in the variance account from specified consumers before May 1, 2021*] and Section 21(4) *[limitation on the Financial Services Manager incurring funding obligations payable through Clean Energy Adjustments from July 1, 2017 to April 30, 2021*]. In particular, the suggestion that CEAs cannot be collected in any circumstance during the Moratorium Period goes beyond 21(4) and presumes that there will be no Readjustment.

[12] **Note:** Please clarify this disclosure for consistency with Section 9.1(1) of the General Regulation. This provision states that the IESO shall pay financing entity carrying costs in respect of the period beginning June 1, 2017 (before the Moratorium Period) and ending on July 31, 2021.

[13] **Note:** Consider revising to conform with Section 9.3(3) of the General Regulation. This Section provides that "carrying costs" also include derivative payments, etc.

[14] **Note:** Not sure how this lines up with fee recovery.

which ~~can~~is permitted to be used to pay the Issuer's ~~carrying costs~~Carrying Costs. The amounts paid by the IESO to fund these ~~carrying costs~~Carrying Costs will be recorded by the IESO in a variance account and form part of the Regulatory Asset that the IESO is expected to transfer to the Issuer in a subsequent period and, upon such transfer, will become part of the Issuer's Investment Interest pursuant to the Regulations.

As security for the performance of its obligation under the Regulations to pay the Issuer's ~~carrying costs~~Carrying Costs, the IESO has granted the Issuer a first-priority security interest in all of its accounts receivable, which includes the amounts receivable by the IESO from Electricity Vendors with respect to the global adjustment charge. See *"The Transferor and Servicer"*. For a further description of the global adjustment charge, see *"The Electricity Industry in Ontario — Electricity Prices"*.

Acceleration of Indebtedness:

A holder of Senior Notes must rely solely on the Clean Energy Adjustment amounts collected and any available reserve accounts for repayment of principal on the Senior Notes. Accordingly, if all or any portion of the principal amount of any indebtedness of the Issuer (including one or more Series of Senior Notes) becomes due and payable during the Moratorium Period and before its scheduled payment date, maturity date or redemption date, the source of funds for repayment of principal may be limited.

If all or any portion of the principal amount of any indebtedness of the Issuer (including one or more Series of Senior Notes) becomes due and payable after the Moratorium Period and before its scheduled payment date, maturity date or redemption date, then the estimated Finance Amount used by the Financial Services Manager to determine the Clean Energy Adjustment ~~after such time shall~~for a period will be determined without regard to the fact that such amount has become ~~immediately~~ due and payable, unless and only to the extent that the amount of the Clean Energy Adjustment is capable of being increased based on the Fair Allocation Amount for such period. See *"— Fair Allocation Amount and Financing Plan"* below. However, upon such acceleration, all accelerated Senior Notes will be repaid in full before any further payments of principal are made to holders of subordinated indebtedness, including the subordinated debt held by OPG; therefore, collections of the Clean Energy Adjustment that would otherwise have been available to repay the principal amount of subordinated indebtedness in the absence of acceleration of the Senior Notes will instead be applied to repay accelerated Senior Notes. See *"— Subordinated Debt"* below.[15]

Statutory Duties of the OEB:

The OEB is an independent public regulatory agency established under the *Ontario Energy Board Act, 1998*. The *Ontario Energy Board Act, 1998* provides the OEB with the authority to regulate participants (e.g. OEB licensees) in Ontario's [electricity market][16], including the activities of transmitters and distributors as well as the IESO (all Electricity Vendors for the purposes of the FHPA).

[15] **Note:** Add detailed descriptions to correspond to the limitation on cashflows during acceleration in the applicable detailed portions of the OM and specifically address in Risk Factors.

[16] **Note:** Technically, the IESO administers (supervises) the IESO-administered markets. There is no definition for "electricity market".

Under the Regulations, the OEB is responsible for determining the rates at which Specified Consumers are to be invoiced to recover the Clean Energy Adjustment. The rates are expressed ~~in $/~~as a cent per kWh rate and are determined by the OEB by dividing (i) the aggregate Clean Energy Adjustment ~~in respect of the relevant period of time~~ as determined by the Financial Services Manager in respect of the relevant period of time by (ii) the forecast ~~provided by the IESO~~ of electricity consumption of Specified Consumers in respect of such period, based on forecast information provided to the OEB by the IESO. See *"— Statutory and Servicing Duties of the IESO"* below.

Statutory Duties of Electricity Vendors:

Electricity is distributed to almost all Specified Consumers in Ontario through a network of local distributors. See "*Electricity Industry in Ontario*" and the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum for more details regarding the Ontario electricity market and these local distributors.

The FHPA and the Regulations require Electricity Vendors to invoice their Specified Consumers for a charge in respect of the Clean Energy Adjustment ~~commencing May 1, 2021,~~ as determined by applying the rate set by the OEB, which is required to be included as a separate line item on each invoice sent to Specified Consumers. Electricity Vendors are also required to collect, as agent of [the Issuer][17], amounts in respect of the Clean Energy Adjustment, deposit such amounts into a segregated account established for the purpose of receiving those amounts, and hold such amounts in trust for the benefit of [the Issuer][18] until ~~deposited with the IESO and remit such amounts~~remitted to the IESO for the benefit of [the owners of Investment Interests (initially, only the Issuer)].[19] If an Electricity Vendor does not receive payment in full of an invoice issued to a Specified Consumer, the Electricity Vendor shall allocate ~~the~~any payment received on a *pro rata* basis to the Clean Energy Adjustment and the other amounts payable under the particular invoice.[20] It is a deemed condition of their distribution license issued by the OEB that Electricity Vendors comply with the FHPA.[21]

As security for any failure of an Electricity Vendor that does not have an investment grade rating from DBRS and Moody's to remit Clean Energy Adjustment amounts collected under the FHPA, the IESO is required, pursuant to the Master Transfer and Servicing Agreement, to provide to the Issuer on or prior to the first day of the first billing period when the Clean Energy Adjustment is being invoiced to Specified Consumers, a letter of credit from a provider that satisfies the Rating Agency Condition or a performance guarantee or such other form of security that is acceptable to the Issuer and that satisfies the Rating Agency Condition. The amount of the security required from the IESO is based on a formula as set out in the Master Transfer and Servicing Agreement and will equal: (i) 50% of forecasted Clean Energy Adjustment amounts that are to be collected by such non-investment grade rated Electricity Vendors and held for 45 days

[17] **Note:** This and similar references to the Issuer should instead refer to Financing Entities (Investment Interest owners), of which the Trust is the first, and then cross-refer to the concept of co-ownership in order to facilitate additional financings in the future.
[18] **Note:** Please see note 16.
[19] **Note:** Please see note 16.
[20] **Note:** Please consider revising this to conform more closely to Section 17(4) of the FHPA.
[21] **Note:** Please confirm.

prior to the funds being remitted to the Issuer; or (ii) such other amount that satisfies the Rating Agency Condition. See *"The Transferor and Servicer."*

Management Duties of OPG:

OPG has entered into a management agreement (the "**Management Agreement**") with the Issuer pursuant to which the Issuer has delegated to OPG, as manager (the "**Manager**"), all of the powers and duties of managing the Issuer, including determining whether to incur Funding Obligations (including Offerings of Senior Notes) to acquire an Investment Interest or refinance existing Funding Obligations; negotiating and executing, on behalf of the Issuer, all agreements; maintaining accounts and banking records; preparing any offering documents to be furnished by the Issuer to prospective purchasers of Funding Obligations (including the Senior Notes); and preparing financial statements and tax filings on behalf of the Issuer. See *"The Manager"*.

In addition to the powers and duties delegated to the Manager under the Management Agreement, OPG is also required to comply with its duties as Financial Services Manager under the FHPA and the Regulations, including preparing the Financing Plan to evaluate whether potential Funding Obligations should be incurred for the purposes of Financing Entities acquiring and financing an Investment Interest, determining the amount of the Clean Energy Adjustment inclusive of the calculation of any True-up Amount, notifying the OEB of the Clean Energy Adjustment inclusive of any True-up Amount and ensuring that Funding Obligations are incurred in a manner consistent with the Financing Plan. OPG may also administer the Investment Interest on behalf of the Issuer and any other Financing Entities. Subject to OEB approval and as provided for in the FHPA and the Regulations, OPG is entitled to charge the Issuer a fee, comprised of a base fee and a variable fee, to earn a return and to recover costs and expenditures incurred by OPG on behalf of the Issuer or in relation to the establishment, management and administration of the Issuer and its Investment Interest. The priority of the Manager's entitlement to fees is subject to the payment priorities set forth in the Master Trust Indenture. See *"The Manager"*.

Statutory and Servicing Duties of the IESO:

Following the Moratorium Period, the IESO is required, as agent of [the Issuer][22], to receive Clean Energy Adjustment amounts paid to it from Electricity Vendors, deposit such amounts promptly into a segregated account established for the purpose of receiving amounts in respect of the Clean Energy Adjustment, hold such amounts in trust on behalf of [the Issuer] and remit such amounts to [the Issuer] [on a monthly basis, subject to daily remittance being required in certain limited circumstances.][23] In addition, the IESO will provide certain reporting and other servicing duties in favour of the Issuer, including ~~forecasting~~providing forecast information regarding electricity consumption of Specified Consumers and providing such forecast information to the OEB and the Issuer, making commercially reasonable efforts to cause Electricity Vendors to establish segregated accounts into which Clean Energy Adjustment amounts are deposited, remitting such amounts to [the Issuer] and fulfilling certain additional

[22] **Note:** Please see note 16 regarding bracketed references to the "Issuer" in this paragraph..

[23] **Note:** Please consider disclosing which IESO duties are statutory and which arise under the MTSA. For instance, in this sentence, these time requirements arise from the MTSA. Section 9(2) of the General Regulation requires that the IESO remit within a reasonable period of time.

reporting requirements. [Generally, all servicing duties provided by the IESO to the Issuer are provided at no cost to the Issuer.][24] However, the Issuer will reimburse the IESO for certain direct costs relating to the performance by the IESO of its duties and obligations under the Master Transfer and Servicing Agreement that are otherwise not recovered or recoverable by the IESO under the *Electricity Act, 1998* (Ontario). See *"The Transferor and Servicer."*

Change of Law Protection Agreement:

Pursuant to the Change of Law Protection Agreement in favour of the ~~Issuer and the~~ Indenture Trustee, upon a Protection Event and delivery by the Indenture Trustee of a written payment demand, the Province of Ontario is required to make payments in respect of all "Approved Obligations" ~~under~~when due and payable into the ~~Change of Law~~ Protection ~~Agreement and which~~Account (which, provided that the Notes are Approved Obligations, includes payments of amounts that are due and payable in respect of ~~the~~ Notes), although the amount of Province of Ontario's payment obligations in a particular period will differ depending on whether an Acceleration has occurred. See "*Change of Law Protection Agreement*". The Issuer and Indenture Trustee must ensure that amounts deposited into the Protection Account are applied to pay each Specified Creditor to whom an amount is due and payable under an Approved Obligation.

Generally, an "Approved Obligation" under the Change of Law Protection Agreement includes all obligations of the Issuer (except for amounts required to be deposited into any capital account or finance reserve account, or any obligation for the Issuer to pay itself any remaining amounts in the Collection Account pursuant to the Master Trust Indenture), including obligations of the Issuer under the Notes, subject to the satisfaction of certain adherence conditions for those obligations that constitute "Certified Primary Obligations", as defined in the Change of Law Protection Agreement. Subject to certain limited exceptions for refinancings, a "Certified Primary Obligation" includes all Notes, as well as certain other obligations of the Issuer under derivative agreements or under contracts with terms of greater than three years ~~and which~~that are not terminable by the Issuer on less than three years' notice ~~and on payment~~under which the Manager, acting reasonably, expects aggregate payments by the Issuer ~~of~~during the term of the contract in an amount ~~equal to or less than~~in excess of $5,000,000.

Protection Event:

Each of the following constitutes a "**Protection Event**" for purposes of the Change of Law Protection Agreement:

(a)

(i) the Ontario legislature repeals, and does not replace on an equivalent basis, or amends, the FHPA~~, in whole~~ or ~~in part~~any portion thereof, as in effect on the date hereof;

(ii) the Ontario legislature enacts or amends any other statute;

(iii) the Lieutenant Governor in Council repeals, and does not

[24] **Note:** Please confirm.

replace on an equivalent basis, the regulations made under ~~or in connection with,~~ the FHPA~~, in whole~~ or ~~in part~~any portion thereof, as in effect on the date hereof;

(iv) the Lieutenant Governor in Council, a minister of the ~~Province of Ontario~~Crown, an official of the government or a board or commission all the members of which are appointed by the Lieutenant Governor in Council makes or amends any "regulation" (as defined in Part III of the *Legislation Act, 2006*) as in effect on the date hereof; or

(v) ~~there is~~the implementation of a change in the organization or structure of the IESO or Ontario's electricity market undertaken at the initiative of the Province of Ontario or ~~any~~an entity controlled by the Province of Ontario,

in each case, that (X) adversely affects the ability of the Issuer to receive amounts in respect of its Investment Interest so that it can pay Approved Obligations when due and payable, in each case determined after taking into account and having regard to (i) any funds available at such time to apply to such Approved Obligations, including in any finance reserve account, capital account or collateral posting account applicable under a derivative agreement, (ii) the availability of any credit enhancement agreement to which the Issuer is a party and (iii) any reasonably expected potential effect of a True-up Amount in the Reference Period immediately following the occurrence of an event described in any of clauses (~~a~~i) to (~~e~~v) above, or (Y) adversely affects the enforceability of, or adversely changes, the terms and conditions of the Change of Law Protection Agreement or of any of the agreements under which Approved Obligations arise; or

(b) a court of competent jurisdiction determines that all or a portion of the FHPA or the Regulations, as in effect on the date hereof, is *ultra vires* or invalid in a way that adversely affects the ability of the Issuer to receive amounts in respect of its Investment Interest so that it can pay Approved Obligations when due and payable and that has the effect of the Issuer not in fact having sufficient funds to pay such Approved Obligations that have become due and payable, in each case determined after taking into account and having regard to (i) any funds available at such time to apply to such Approved Obligations, including in any finance reserve account, capital account or collateral posting account applicable under a derivative agreement, (ii) the availability of any credit enhancement agreement to which the Issuer is a party and (iii) any reasonably expected potential effect of a True-up Amount in the Reference Period immediately following the occurrence of an event described in this paragraph (b).

The occurrence of a Protection Event in and of itself will not result in the acceleration of the Senior Notes.

The Province of Ontario's obligation to make payments under the Change of Law Protection Agreement upon a Protection Event and subsequent delivery of a written payment demand by the Indenture

Trustee is referred to as the "**Limited Guarantee**".

Upon paying amounts ~~in respect of Approved Obligations, including the Senior Notes, the~~when due and payable in respect of Approved Obligations, including the Senior Notes, into the Protection Account, the Province of Ontario will be subrogated and entitled to all of the rights and interests of applicable Specified Creditors (including Noteholders) under and in respect of the Approved Obligations to the extent of the amounts paid. The Province of Ontario will have ~~a right of subrogation that includes the entitlement to all rights and interests under and in respect of such Approved Obligations, including the security interest in each related Investment Interest and any related property of the Issuer.~~the right to be paid from the Issuer the amounts that the Province of Ontario paid in respect of the Approved Obligations, such amounts being payable in the same order of priority and with the same entitlements accruing to the Province of Ontario as applied to the amounts in respect of the Approved Obligations previously owing to Specified Creditors that the Province of Ontario has paid. The Province of Ontario will also be entitled to the benefit of the Collateral and proceeds therefrom.

Under the Change of Law Protection Agreement, the right to deliver a written payment demand on occurrence of a Protection Event to enforce the Limited Guarantee is the only remedy available to the Indenture Trustee (and to Specified Creditors, to the extent they are permitted to exercise any rights, interests or elections under and in accordance with the Master Trust Indenture). Specified Creditors are not permitted to exercise any rights, interests, or elections under the Change of Law Protection Agreement, other than in the manner and to the extent effected and exercised under, in accordance with and subject to the limitations set forth in the Master Trust Indenture as at December 21, 2017.

Approved Obligations & Adherence Conditions:

Under the Management Agreement, the Manager is required to ensure that all obligations of the Issuer are and remain Approved Obligations under the Change of Law Protection Agreement.

The Limited Guarantee shall apply to all Certified Primary Obligations that meet the following adherence conditions:

(a) the Certified Primary Obligation when incurred is an Obligation Secured under the Master Trust Indenture;

(b) OPG, as Financial Services Manager, delivers a certificate to the Indenture Trustee ~~prior to~~on or before the incurrence of such obligation certifying that it has complied with all of its obligations to the Province of Ontario and internal requirements and processes in connection with the adherence of the Limited Guarantee to the Certified Primary Obligation; and

(c) the Province of Ontario has not provided a Suspension Notice to the Indenture Trustee, OPG and the Issuer.

All Senior Notes shall constitute Obligations Secured under the Master

Trust Indenture and therefore condition (a) above will be satisfied for all Offerings of Senior Notes. It will be a condition to any Offering of Senior Notes that OPG deliver the adherence certificate required pursuant to (b) above or that the Province of Ontario designates in writing that the Senior Notes are Approved Obligations. The Change of Law Protection Agreement provides that delivery of an adherence certificate shall be determinative of satisfaction of this adherence condition, notwithstanding that such certificate may include inaccuracies, be incomplete or otherwise be defective or deficient, and such certificate may be relied upon as conclusive evidence of same.

Suspension Notice & Post-Suspension Refinancing

The Change of Law Protection Agreement will remain in full force and effect ~~for as long as any Senior Notes remain outstanding~~until the indefeasible payment, observance and performance in full of the Approved Obligations.

However, in the following limited circumstances, the Province of Ontario may deliver a Suspension Notice under the Change of Law Protection Agreement: (i) if there has been an acceleration of Funding Obligations in accordance with the provisions of the Master Trust Indenture or an event of default, early amortization event, termination event or similar event or circumstance (including any event that with the passage of time or the giving of notice would become such an event) of or in respect of the obligations of any party under any Program Agreement; (ii) if there has been an uncured breach of covenant ~~or representation of OPG~~, uncured default in performance, or uncured representation, warranty or certification that proves to be incorrect in any material respect on the date made, in each case of OPG (or its officers, in the case of a certification) to the Province of Ontario in connection with its obligations to the Province of Ontario pursuant to internal requirements and processes in connection with the provision or adherence of the Limited Guarantee to or in respect of any Certified Primary Obligations; or (iii) if the Financial Services Manager is no longer the Manager or actions ~~having~~have been taken by or on behalf of the Indenture Trustee to remove the Financial Services Manager as the Manager.

Upon delivery of a Suspension Notice, the Limited Guarantee shall ~~cease to~~not apply ~~only~~ in respect of obligations incurred by the Issuer (excluding certain refinancings of Approved Obligations as described below) and certain material amendments of outstanding obligations of the Issuer~~, in each case following delivery of a Suspension Notice~~.

Notwithstanding delivery of a Suspension Notice, the Limited Guarantee shall continue to apply to: (i) any Approved Obligations that were incurred prior to the suspension and (ii) any Funding Obligations incurred by the Issuer following a suspension ~~if~~that satisfy the terms and conditions of the Change of Law Protection Agreement, provided that the proceeds of such incurrence are to be used for the purpose of repaying one or more series of Approved Obligations. Accordingly, subject to compliance with the Change of Law Protection Agreement, any Senior Notes or other Funding Obligations that may be issued following a suspension to refinance Senior Notes that were Approved Obligations issued prior to a suspension will continue to have the benefit of the Limited Guarantee.

See *"Change of Law Protection Agreement"*.

Fair Allocation Amount & Financing Plan:

The Fair Allocation Amount is an amount calculated under the FHPA and the Regulations by the Minister of Energy in respect of each Reference Period that, among other things, allocates the estimated value of certain costs allocated to Specified Consumers in respect of the Ontario government's clean energy initiatives ("**Clean Energy Costs**")[25] in proportion to the relative attribution of the value of benefits determined to be derived by or accruing to Specified Consumers as a result of such clean energy initiatives ("**Clean Energy Benefits**") among Specified Consumers. See *"Ontario's Fair Hydro Plan"*.[26]

The Financial Services Manager is required to prepare a Financing Plan under the FHPA to evaluate whether potential Funding Obligations should be incurred by the Issuer or other Financing Entities ~~and having~~for the purposes of acquiring an Investment Interest or for the purposes of a Refinancing. In preparing the Financing Plan, the Financial Services Manager must have regard to certain principles, including that Funding Obligations should be incurred ~~so that~~such that, along with any Funding Obligations already incurred, the estimated Finance Amount that would, subject to any Refinancing, become due and payable during a Reference Period will reasonably align with the Fair Allocation Amount determined in respect of such Reference Period as of the date the Funding Obligations were incurred, after reducing the Fair Allocation Amount by the Readjustment Amount, if any, in respect of the Reference Period.

In other words, the Financing Plan should contemplate the issuance of Funding Obligations from time to time, with terms that would result in Clean Energy Adjustments being payable by Specified Consumers that align with the purposes of the FHPA [, namely, to ensure that present and future Specified Consumers are bearing their share of the costs of providing Clean Energy Benefits].[27] Notwithstanding the above, the FHPA provides that each Funding Obligation is deemed to be consistent with the Financing Plan and to provide for the reasonable alignment of the estimated Finance Amount with the Fair Allocation Amount.

Currently, the Clean Energy Costs have been determined to exceed the Clean Energy Benefits, with the result that the Fair Allocation Amount is negative. This [means that the Minister of Energy has determined that current Specified Consumers have borne more than their fair share of Clean Energy Costs (with the consequent rate reduction for current Specified Consumers). The Fair Allocation Amount is expected to be negative until at least May 2024.][28] Accordingly, the Financing Plan does not currently contemplate the issuance of any Senior Notes maturing prior to May 2024. The Financial Services Manager may, however, determine to refinance Senior Notes maturing after May 2024 through the issuance of another Series of Senior Notes. If Senior Notes cannot be refinanced on or before the applicable Principal

[25] **Note:** Consider that "Clean Energy Costs" is more thoroughly defined in the Glossary. Through the OM, reconsider instances where there are two different definitions.
[26] **Note:** The description of the fair allocation amount should more closely align to Section 20(1) of the FHPA.
[27] **Note:** The description should more closely align with the stated purposes of the FHPA in Section 3 of the Act.
[28] **Note:** MOE to confirm whether including this sort of prediction is appropriate.

	Payment Default Date, holders of such Senior Notes will have the ability to accelerate their Senior Notes resulting in Clean Energy Adjustments that would otherwise be used to pay the principal amount on subordinated indebtedness to holders of subordinated Notes being used to pay holders of accelerated Senior Notes. The Financing Plan allows for the issuance of a variety of short and long term debt. See the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum for more details regarding the Financing Plan and the Fair Allocation Amount.
Subordinated Debt:	Concurrent with every issuance of senior debt by the Issuer, including any Offering of Senior Notes, it is expected that OPG will subscribe for subordinated debt and junior subordinated debt of the Issuer in an amount equal to no more than 49% of all of the Issuer's Funding Obligations, approximately 44% of which is expected to be funded through equity investments in OPG by the Province of Ontario with the remaining 5% being funded from OPG's available funds, including all or a portion of the proceeds of any offerings by OPG of medium term notes. Under the Master Trust Indenture, the Issuer will be required at all times to ensure that: (i) the aggregate outstanding principal amount of all subordinated debt and junior subordinated debt be not less than 35% of the aggregate outstanding principal amount of all of the Issuer's Funding Obligations; and (ii) the aggregate outstanding principal amount of all junior subordinated debt be not less than 10% of the aggregate outstanding principal amount of all of the Issuer's Funding Obligations.
Use of Proceeds:	The proceeds from each Offering may be used to (i) acquire an Investment Interest from the IESO pursuant to the Master Transfer and Servicing Agreement, (ii) refinance indebtedness of the Issuer (including other Series of Senior Notes), (iii) pay Offering and related costs of the Issuer and (iv) fund specific reserve accounts as required. The Term Sheet for each Offering of Senior Notes will identify the amount of proceeds that will be used for such specified purposes.
Interest Rate:	Fixed, floating or otherwise, as determined by the Issuer and as set out in the Term Sheet applicable to such Offering.
Interest Payment Dates:	As determined from time to time by the Issuer and as set out in the Term Sheet applicable to such Offering.
Principal Accumulation Date(s) and Principal Accumulation Amount(s):	As determined from time to time by the Issuer and as set out in the Term Sheet applicable to such Offering.
Principal Payment Date(s) and Principal Payment Amount(s):	As determined from time to time by the Issuer and as set out in the Term Sheet applicable to such Offering.
Principal Payment Default Date:	As determined from time to time by the Issuer and as set out in the Term Sheet applicable to such Offering.

Ranking:	Subject to the applicable payment waterfalls set out in the Master Trust Indenture, the Senior Notes will be direct, secured and unsubordinated obligations of the Issuer, and will at all times rank equally and proportionately with each other and all other senior indebtedness issued by the Issuer from time to time pursuant to the Indenture, without discrimination or preference. See "*Capital Markets Platform — Subordination Provisions*", "*Capital Markets Platform — Acceleration and Remedies — Payment Waterfall Upon Acceleration*".
Security:	All indebtedness and other obligations of the Issuer, including the Senior Notes, will be secured by a first ranking charge against all property and assets of the Issuer, including each Issuer Account (and all funds and property credited thereto), all rights and benefits, and powers of the Issuer under the FHPA and all rights, benefits and power under all Program Agreements, including under the Limited Guarantee. Under the Master Trust Indenture, the Issuer is required to maintain certain reserves: the IESO Cash Reserve Deposit Amount (an amount equal to the aggregate of (i) 0.50% of the aggregate amount of all outstanding senior, subordinated and junior subordinated funding obligations determined as of April 15, 2021, and (ii) an amount estimated as the amount of ~~carrying costs~~Carrying Costs payable during May, June and July 2021, provided such amount in (ii) satisfies the Rating Agency Condition) will be deposited by the IESO by April 30, 2021. There is also a Program Cash Reserve Account which will begin to be funded from Clean Energy Adjustments following the Moratorium Period until it reaches the Program Cash Reserve Required Amount (on each Payment Date on and after May 15, 2021, an amount equal to 0.50% of the aggregate amount of all outstanding senior, subordinated and junior subordinated funding obligations determined as of such date, or such lesser amount that satisfies the Rating Agency Condition). Funds in the IESO Cash Reserve Account will be applied to pay ~~carrying costs~~Carrying Costs after April 2021 to the extent that funds can be so applied such that the aggregate amount of funds in the IESO Cash Reserve Account and Program Cash Reserve Account is maintained at the Program Cash Reserve Required Amount. In connection with the incurrence of any Series of Notes, the Issuer may (i) establish a Series Account for purposes of accumulating funds used to make principal payments or for purposes of reserving funds to pay finance charges, and/or (ii) enter into a credit enhancement agreement or liquidity agreement. Whether a Series of Senior Notes has the benefit of a Series Account or any credit enhancement agreement or liquidity agreement will be determined from time to time by the Issuer and set out in the Term Sheet applicable to such Offering. See "*Capital Markets Platform — Security*".
Priority of Payments:	Prior to an Event of Default and acceleration of the Issuer Funding Obligations (other than Derivative Funding Obligations), amounts available for disbursement will generally be applied in the following

order of priority:

- taxes;
- trustee fees, expenses and reimbursement amounts (up to a specified cap);
- payment of or accumulations in respect of interest for senior obligations, *pari passu* with payments under derivative agreements (other than termination payments);
- payment of or accumulations in respect of interest for subordinated obligations;
- payments of or accumulations in respect of interest for junior subordinated obligations;
- payment of or accumulations in respect of principal for warehouse obligations (see *"Warehouse Facilities"*);
- accumulations in respect of principal for senior obligations (other than warehouse obligations), *pari passu* with termination payments under derivative agreements (other than as provided below);
- fees and other amounts (other than principal and interest) on senior obligations;
- the Manager's fees, expenses and reimbursement amounts;
- payment of or accumulations in respect of principal for subordinated obligations;
- fees and other amounts (other than principal and interest) on subordinated obligations;
- payment of or accumulations in respect of principal for junior subordinated obligations;
- replenishment of Program Cash Reserve Account;
- replenishment of Series Accounts (other than accounts established for subordinated obligations or junior subordinated obligations);
- replenishment of Series Accounts established for subordinated obligations;
- fees and other amounts (other than principal and interest) on junior subordinated obligations;
- replenishment of Series Accounts established for junior subordinated obligations;
- termination payments under derivative agreements where the counterparty is the defaulting party or sole affected party;
- beneficiaries of the Issuer;
- indemnity amounts owing to the Manager; and
- all other obligations not specifically dealt with above.

After an Event of Default and acceleration of the Issuer Funding Obligations (other than Derivative Funding Obligations), amounts available to the Issuer or otherwise held by the Indenture Trustee will generally be applied in the following order of priority:

- taxes;
- trustee fees, expenses and reimbursement amounts;
- interest, fees and other amounts (other than principal) on senior obligations and payments under derivative agreements (other than termination payments), *pari passu*, then subordinated obligations (other than principal) and then junior subordinated obligations (other than principal);
- principal for warehouse obligations;

- *pari passu*, principal on senior obligations (other than warehouse obligations) and termination payments under derivative agreements (other than where the counterparty is the defaulting party or sole affected party);
- the Manager's fees, expenses and reimbursement amounts;
- principal for subordinated obligations and then junior subordinated obligations; and
- all other obligations not specifically dealt with above.

Notwithstanding the above, amounts held in a Series Account will be applied in accordance with the relevant Funding Obligation Agreement and amounts held in the Protection Account will be applied in accordance with the specific written payment statement and would not otherwise modify the provisions of the applicable payment waterfalls set out in the Master Trust Indenture.

See "*Capital Markets Platform — Payment Waterfall Prior to Acceleration*" and "*Capital Markets Platform — Acceleration and Remedies — Payment Waterfall Upon Acceleration*".

Currency: Senior Notes may be denominated in any currency. The currency for a particular Series of Senior Notes will be set out in the Term Sheet applicable to such Offering.

Minimum Subscription: Minimum principal amount of 100,000 units of the applicable currency and integral multiple of 1,000 of the applicable currency. The minimum subscription and denomination of the Senior Notes may be varied as set out in the Term Sheet applicable to such Offering.

Optional Redemption: Senior Notes may be subject to redemption prior to maturity at the times and redemption price set out in the Term Sheet applicable to such Offering.

Purchase for Cancellation: The Issuer may, at any time, purchase at any price all or any of the Senior Notes in the market or by invitation for tenders or by private contract. Any Senior Notes so purchased shall be cancelled.

Distribution Method: The Senior Notes may be offered and sold by the Issuer on a private placement basis in Canada to "accredited investors" (as such term is defined in NI 45-106 and, in the case of a purchaser resident in Ontario, section 73.3(1) of the *Securities Act* (Ontario)) who purchase the Senior Notes as principal and that are not individuals unless those individuals are also "permitted clients" (as such term is defined in NI 31-103).

By purchasing Senior Notes and accepting a purchase confirmation in respect thereof, a purchaser will be agreeing with and representing to the Issuer and any Agent participating in the trade that the purchaser is an accredited investor purchasing as principal along with certain other matters. See *"Representations and Agreements of Purchasers"*.

Book-Entry Form: The Senior Notes will be delivered and recorded in book-entry form only through CDS or another depository selected by the Issuer in accordance with the Master Trust Indenture. Each Series of Senior Notes will be evidenced by a global note held by such depository,

	registered in its name or the name of its nominee, on behalf of all holders of such Series of Senior Notes. Subject to limited exceptions, no purchasers of Senior Notes will be entitled to a certificate or other instrument from the Issuer or CDS evidencing that purchaser's ownership thereof, and no holder of a Senior Note will be shown on the records maintained by CDS except through book-entry accounts of a participant of CDS acting on behalf of owners. See *"Depository Services"*.
Resale Restrictions:	Resale of the Senior Notes will be subject to restrictions under applicable securities legislation which vary depending on the relevant jurisdictions. **The Senior Notes may only be sold on a basis that is in accordance with, or pursuant to an exemption from, the prospectus requirements of applicable provincial securities laws and only through an appropriately registered dealer or pursuant to an exemption from the dealer registration requirements of applicable provincial securities laws.** See *"Restrictions on Resale"*.
Risk Factors:	The purchase of the Senior Notes is subject to risks. Prospective investors should carefully consider the risk factors and other information in this confidential shelf offering memorandum and the Term Sheet for each Offering before purchasing Senior Notes, including the discussion set forth under *"Risk Factors"*, and any additional disclosure set out in the Term Sheet for each Offering.
Indenture Trustee:	BNY Trust Company of Canada.
Issuer Trustee:	Computershare Trust Company of Canada.

THE ELECTRICITY INDUSTRY IN ONTARIO

General Overview

The Ontario electricity industry is principally comprised of three components:

- *Generation*: the production of electricity from various forms of energy, such as wind, solar, hydropower, natural gas and nuclear;
- *Transmission*: the transfer of electricity across high-voltage power lines from generating facilities to local areas; and
- *Distribution*: the delivery of electricity within local areas to homes and businesses using lower voltage power lines.

The structure of Ontario's electricity industry underwent significant changes in the late 1990s and early 2000s. Prior to April 1, 1999, Ontario Hydro, a Crown corporation, supplied most of Ontario's electricity generation and transmission needs. Consistent with initiatives taken in other electricity markets in North America at the time, the electricity industry was restructured in order to encourage greater competition. Ontario's competitive electricity market was opened by the IESO on May 1, 2002 and the market is used to administer the purchase and sale of wholesale electricity in Ontario.

Since the opening of the competitive market, Ontario's power supply mix has experienced significant change. As a result of provincial government policy, coal-fired generation has been eliminated and a significant amount of new capacity has been added as a result of new natural gas powered capacity, new wind and solar capacity and additional baseload nuclear generation capacity. These changes have resulted in significantly increased costs of electricity to consumers in Ontario.

While electricity supply in Ontario has increased, the province's electricity demand as reported by the IESO has fallen over the last decade, largely due to changes in economic conditions and conservation measures. Moreover, the addition of small scale solar generation embedded in the distribution system has reduced the level of demand that is supplied by transmission-connected generation. Reducing electricity demand by encouraging conservation and demand management has been a key part of the Government of Ontario's plan to reduce greenhouse gas emissions from the province's electricity sector. Shorter-term fluctuations in electricity demand are impacted by variations in seasonal weather conditions.

Real-time energy supply needs are met through the wholesale electricity market administered by the IESO. Generators offer their generation into this real-time energy market, or "spot market", to be dispatched by the IESO. The IESO receives hourly offers from electricity generators and importers to provide energy, along with bids to withdraw energy from a few flexible loads and exporters, and then schedules the lowest-cost offers and bids needed to meet demand. Virtually all generators in Ontario also have bilateral contracts with the IESO or receive regulated prices, or payment amounts, that provide for payments in addition to the market price of electricity that is paid to generators.

Key Industry Participants

Ontario Power Generation Inc.

OPG is a corporation formed under the *Business Corporation Act* (Ontario), whose sole shareholder is the Province of Ontario. In 1999, when Ontario Hydro was split up in anticipation of deregulation, OPG was formed to hold all of the generation assets. OPG has divested itself of certain of those assets, but remains the largest generator in Ontario.

OPG is Ontario's largest clean energy generator. As at the date hereof, OPG operated two nuclear generating stations, 66 hydroelectric generating stations, three thermal generating stations, and one wind power turbine. OPG's mission is to provide low cost power in a safe, clean, reliable and sustainable manner for the benefit

of its customers and its sole shareholder, the Province of Ontario. OPG's electricity generation accounts for almost half of the total energy generated and injected into Ontario's electricity transmission system, as reported by the IESO. OPG is one of the most experienced and largest generating companies in Canada with a broad set of relationships and capabilities. OPG is also experienced in successful complex financing arrangements of large capital projects, including the recently completed Lower Mattagami project.

Additional information about OPG is provided in the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum and is available at www.opg.com.

The IESO

The IESO is a non-share capital corporation created under the *Electricity Act, 1998* (Ontario). It was created as an amalgamation of two predecessor entities, one of which was also called the IESO ("**Predecessor IESO**") and the other of which was called the Ontario Power Authority ("**OPA**"). Predecessor IESO was responsible for operating the real-time electricity markets in Ontario, as well as administering the market rules. The OPA was the counterparty that entered into bilateral power or capacity purchase contracts with generators. These two entities were merged statutorily on January 1, 2015 into the IESO, which now carries out all of these functions. As a non-share capital corporation, the IESO does not have any shareholders or owners, but it is governed by an independent Board of Directors whose chair and directors are appointed by the Minister of Energy.

Additional information about the IESO is provided in the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum and is available at www.ieso.ca.

The Ontario Energy Board

The OEB is a non-share capital corporation created under the *Ontario Energy Board Act, 1998*. The OEB is an independent and impartial public regulatory agency. The *Ontario Energy Board Act, 1998* provides the OEB with the authority to license and regulate the participants in Ontario's electricity market, including the activities of the IESO, transmitters and distributors which are also Electricity Vendors for the purposes of the FHPA.

The OEB has the following objectives in relation to the electricity industry:

(a) to protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service;

(b) to promote the education of consumers;

(c) to promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry;

(d) to promote electricity conservation and demand management in a manner consistent with the policies of the Province of Ontario, including having regard to the consumer's economic circumstances;

(e) to facilitate the implementation of a smart grid in Ontario; and

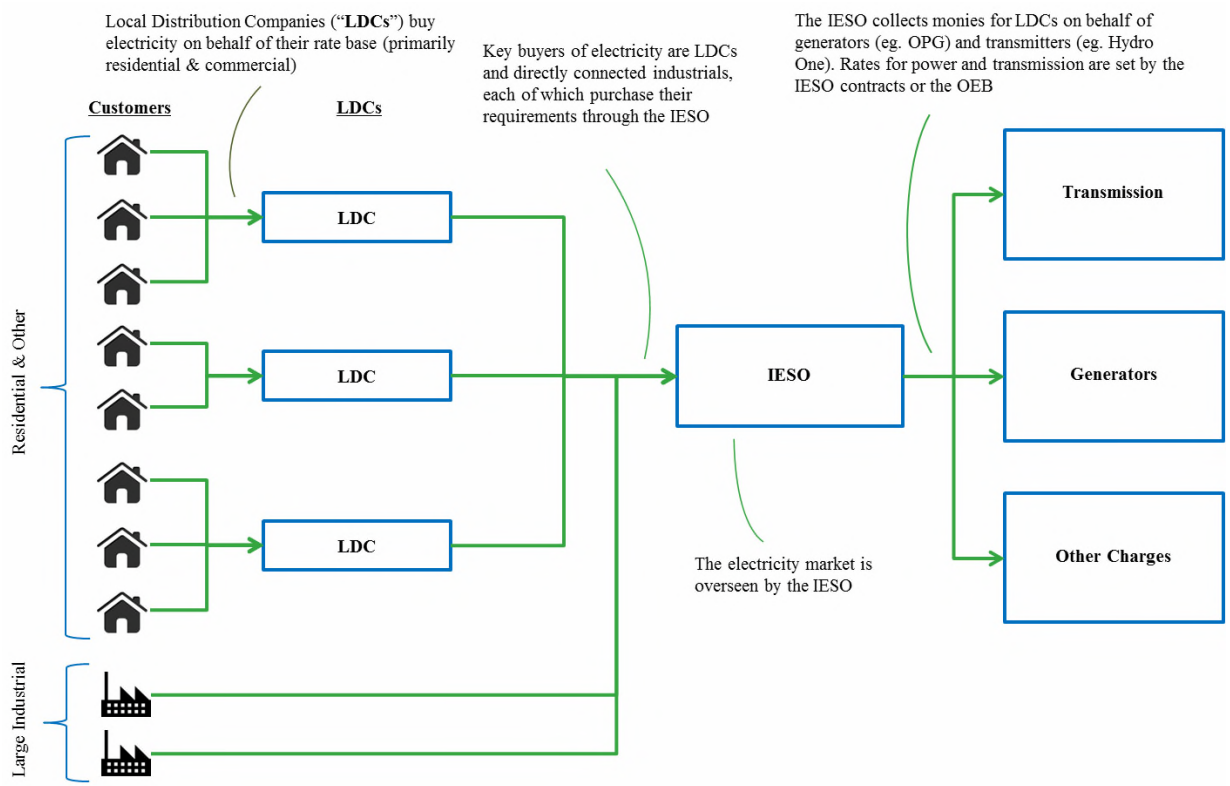
(f) to promote the use and generation of electricity from renewable energy sources in a manner consistent with the policies of the Ontario government, including the timely expansion or reinforcement of transmission systems and distribution systems to accommodate the connection of renewable energy generation facilities.

The OEB is responsible for, among other things, approving transmission and distribution rates in Ontario, as well as payment amounts for OPG's nuclear and hydroelectric generation. It also approves the construction, expansion, or reinforcement of transmission lines greater than two kilometres in length, as well as mergers,

acquisitions, amalgamations and divestitures involving distributors, transmitters and other entities which it licenses. The activities of transmitters and distributors are subject to the conditions of their transmission and distribution licenses, as applicable, which require compliance with a number of industry codes issued by the OEB, as well as with the market rules that are administered by the IESO. These codes and other requirements prescribe minimum standards of conduct and service for licensed participants in the electricity market.

Electricity Vendors

As part of the restructuring of Ontario's electricity industry, the province's municipally-owned electricity distributors were reorganized into separate business corporations. These distributors are typically referred to in Ontario as local distribution companies, or "**LDCs**". An LDC is responsible for distributing electricity to customers in its OEB-licensed service territory, and in some cases to other distributors. A service territory may cover large portions or all of a particular municipality, or an otherwise-defined geographic area. Distribution customers include residential, commercial and industrial end-users, such as governments, schools and hospitals. At multi-unit buildings within an LDC's service territory, there may be a unit sub-metering service provider that provides metering services for each individual unit. These sub-metering service providers are also licensed by the OEB. The following diagram depicts a simplified flow of funds between the key industry participants:[29]



See the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum for more details regarding LDCs.

Electricity Prices

There are two ~~main~~ components that make up the commodity cost of electricity in Ontario, the ~~hourly~~Hourly Ontario ~~energy price~~Energy Price ("**HOEP**") and the ~~global adjustment~~Global Adjustment charge.

[29] **Note:** Proposed revisions to the text in the chart: (i) "The electricity market is ~~overseen~~ administered by the IESO"; (ii) "~~Rates for power and transmission are set by the IESO contracts or the OEB~~ Prices paid to generators are determined by IESO contracts or approved by the OEB. Transmission rates are approved by the OEB."

- The HOEP is set by the IESO ~~on an hourly basis~~ based on bids and offers in the real-time energy market that is administered by the IESO.

- The global adjustment charge is ~~also~~ paid by ~~loads~~all consumers. It is established monthly by the IESO in accordance with regulations and is used to collect funds used by the IESO to pay certain "out of market" costs that are not compensated by the HOEP, including the cost of energy supply contracts with generators and payments made to certain generators, including OPG, that are entitled to a regulated rate of return based on OEB-established payment amounts. For ~~all loads with a peak demand under 500 kW (in other words,~~ all Specified Consumers~~),~~[30] the global adjustment charge is based on electricity usage on a per unit basis.

Prior to the FHPA being passed, the amount collected by the IESO on account of the HOEP and global adjustment charge was approximately equal to the IESO's liabilities in this regard, subject to certain periodic true-ups and adjustments to keep the IESO whole.

At the request of the Minister of Energy in 2004, and in accordance with amendments to legislation, the OEB created the "**Regulated Price Plan**" or "**RPP**", which establishes time-of-use and tiered commodity prices for residential, farm and small commercial customers. Prior to the introduction of the FHPA, the RPP prices were reviewed and changed every six months based on an updated forecast and any accumulated differences between the amounts collected from RPP consumers and the amount paid to generators in ~~the~~ previous ~~period~~periods. RPP prices are now established in accordance with the FHPA. Most Specified Consumers are billed for electricity based on the Regulated Price Plan, although some Specified Consumers may be invoiced the HOEP and the global adjustment charge by their LDC for electricity they have consumed. The IESO has also stated that there is one Specified Consumer connected directly to the transmission system and settled by the IESO, not an LDC.

While most residential and small commercial consumers in Ontario choose to purchase their electricity under the RPP, consumers in Ontario may instead choose to buy their electricity from a licensed retailer pursuant to a retail contract that provides a fixed rate for electricity over a specified period. These customers are also required to pay the global adjustment charge in addition to the rate under their retail contract.

In addition to the HOEP and global adjustment charges, or RPP prices, as the case may be, electricity consumers pay a number of other uplifts and charges, such as transmission and distribution tariffs.

ONTARIO'S FAIR HYDRO PLAN

Background

On June 1, 2017, the Ontario ~~government~~Legislature passed the *Ontario Fair Hydro Plan Act, 2017*[31] (the "**FHPA**")[, legislation that reallocates certain electricity costs over time and provides immediate rate relief to consumers][32]. From July 1, 2017 until April 30, 2018, electricity rates payable by Specified Consumers (a category of consumers that generally is comprised of residential consumers, small businesses and farms) will ~~in effect~~ be the ~~rate~~rates that ~~would~~ result in a representative consumer being charged an invoice amount that is 25%~~2~~[33] less than the rate that would otherwise have been determined by the OEB for that period (the "**Fair Adjustment**") absent Ontario's Fair Hydro Plan.

Under the FHPA, a "**Specified Consumer**" is:

(a) a person who has an account with an Electricity Vendor for the supply of electricity in the Province of Ontario and meets any one of the following criteria:

[30] **Note:** Some consumers below 500 kw are not Specified Consumers.
[31] **Note:** The FHPA was Schedule 1 to omnibus legislation entitled the *Fair Hydro Act, 2017*. Further, already defined as the FHPA above.
[32] **Note:** This narrative should be removed, or if necessary, the description of the FHPA should track the purposes of the Act as set out in Section 3 to the Act.
~~2~~[33] The 25% reduction includes an 8% rebate equivalent to the provincial portion of the harmonized sales tax previously granted by the Ontario government and the shifting of certain support program costs from the rate base to the tax base.

(i) the person has a demand for electricity of 50 kilowatts or less, or such other amount as may be prescribed by the Regulations;

(ii) the person annually uses not more than 250,000 kilowatt hours of electricity, or such other amount as may be prescribed by the Regulations;

(iii) the person carries on a business that is a farming business for the purposes of the *Farm Registration and Farm Organizations Funding Act, 1993* and either holds a valid registration number assigned under that Act or has had the obligation to file a farming business registration form waived pursuant to an order made under subsection 22(6) of that Act;

(iv) the person's account with the Electricity Vendor relates to

(A) a dwelling;

(B) a property within the meaning of the *Condominium Act, 1998*;

(C) a residential complex within the meaning of subsection 2(1) of the *Residential Tenancies Act, 2006*, without regard to section 5 of that Act; or

(D) a property that includes one ~~of~~or more housing units and that is owned or leased by a co-operative within the meaning of the *Co-operative Corporations Act*; or

(v) the person satisfies such criteria as may be prescribed by the Regulations; or

(b) such other person as may be prescribed by the Regulations.

Electricity bills for Specified Consumers for the period between May 1, 2018 and April 30, 2019 are to increase by the rate of inflation (or remain unchanged in the event inflation is negative). Permitted increases after April 30, 2019 will be determined by the Ontario government through additional regulations, though the Ontario government has indicated its intention that rate increases will be held to the rate of inflation until 2021.

Under the FHPA, OPG is appointed as the initial Financial Services Manager and given the authority to, among other things, establish, or cause to be established, one or more financing entities (each, a "**Financing Entity**") to incur payment obligations (such obligations, "**Funding Obligations**") to fund the acquisition of an Investment Interest. The Issuer is a Financing Entity under the FHPA and the Senior Notes are Funding Obligations under the FHPA.

Regulatory Asset

Under the FHPA, each month the IESO determines the shortfall that results from the Fair Adjustment as compared to what the IESO would have been entitled to receive without the Fair Adjustment and records this amount, together with the costs of financing the shortfall, in a variance account.[34] The IESO has the right, exercisable in accordance with the FHPA and the Regulations, to recover the balance recorded in the variance account from Specified Consumers (such right, the "**Regulatory Asset**"). However, in accordance with the FHPA, the IESO is not entitled to collect all or part of the balance recorded in the variance account (which is the basis of the Regulatory Asset) from specified consumers before May 1, 2021. The IESO may, in accordance with the FHPA, transfer a specified portion of the Regulatory Asset to a Financing Entity for a cash purchase price equal to the amount recorded in the variance account in respect of such specified portion of the Regulatory Asset. Upon receipt by the IESO of payment by the Financing Entity, the IESO retains no further right, title or interest in the corresponding Investment Interest.

[34] **Note:** Please consider disclosure of further details as to what is recorded in the variance account. For instance, paragraph 3 of Section 15 in the General Regulation states that amounts incurred by the IESO on or after May 1, 2017 but before the FHPA came into force may be recorded in the IESO deferral.

Investment Interest

By acquiring an Investment Interest, the Financing Entity is financing a portion of the shortfall that results from the Fair Adjustment and, as an owner of the Investment Interest, will be entitled to recover ~~all~~ its "Finance Amount" (the costs of such financing). While a Financing Entity may choose to acquire an Investment Interest from the IESO, it is under no obligation to do so.

If the IESO and a Financing Entity agree to the transfer of a specified portion of the Regulatory Asset from the IESO, such transfer results in the creation of a current and irrevocable property right that is immediately vested in the Financing Entity, free and clear of any adverse claim (such right, the "**Investment Asset**", and ~~the Issuer's~~an ownership interest therein, an "**Investment Interest**"). The Investment ~~Interest consists of,~~ Asset consists, collectively, of the following rights and interests of Investment Interest owners (among other things):[35]

(a) the right and interest to impose, invoice, collect, receive and recover the Clean Energy Adjustment from Specified Consumers, including the right to determine the Clean Energy Adjustment in accordance with the FHPA;

(b) the right to receive, collect and recover the Clean Energy Adjustment that is imposed, invoiced and recoverable under the FHPA, including any amounts in respect of the Clean Energy Adjustment that are held by Electricity Vendors or the IESO;

(c) the right to enforce the duties and obligations under the FHPA of each Electricity Vendor to impose, attribute, charge and invoice for the Clean Energy Adjustment;

(d) the right to enforce the duties and obligations under the FHPA of each Electricity Vendor and the IESO to collect, receive and remit amounts received by it in respect of the Clean Energy Adjustment, including all collections and the proceeds of any enforcement action undertaken by any Electricity Vendor to recover payment of the Clean Energy Adjustment;

(e) all rights of any kind related to any of the other property rights or interests that comprise the Investment Interest, including any rights to receive a payment obligation incurred by the IESO as part of the transfer of the Regulatory Asset (such payment obligations incurred by the IESO being "**Funding Rebates**"); and

(f) all revenue, collections, claims, payments, money and proceeds of or derived from the rights described in paragraphs (a) to (e), regardless of whether it is invoiced, collected and maintained together with or commingled with other revenue, collections, claims, payments, money and proceeds.

Clean Energy Adjustment

The "**Clean Energy Adjustment**" is the amount calculated in accordance with the FHPA and payable by Specified Consumers [to cover the cost of financing the shortfall that results from the Fair Adjustment].[36] The Financial Services Manager will determine the amount of the Clean Energy Adjustment payable by Specified Consumers for each month of a Reference Period. The Clean Energy Adjustment is based on an estimate of the amount payable by a Financing Entity in a Reference Period in respect of the Finance Amount and the True-up Amount (each as described below).

The "**Finance Amount**" in respect of the Issuer for a ~~Reference Period~~period of time is an amount determined by the Financial Services Manager as follows:

[35] **Note:** Please consider disclosing in this section that the Investment Asset is a collective right of the Investment Interest owners. While this is explained in a risk factor ("The Issuer may have a co-ownership interest in the Investment Asset with other Financing Entities), additional explanation/ disclosure may be warranted here.

[36] **Note:** Consider that the statutory definition of "Clean Energy Adjustment" states that it is "the amount determined under section 15 [of the FHPA] and payable by specified consumers". The FHPA does not expressly state the purpose of the Clean Energy Adjustment.

(a) after eliminating any duplication in the following amounts, calculating the sum of the following amounts:

(i) amounts paid or payable during the ~~Reference Period~~period in respect of the payment by or on behalf of the Issuer or the provision by or on behalf of the Issuer for the payment of all or a portion of the principal amount advanced to the Issuer under a Funding Obligation;

(ii) interest, commitment fees or other similar costs payable by or on behalf of the Issuer in respect of Funding Obligations that are paid or payable during the ~~Reference Period~~period;

(iii) amounts payable by or on behalf of the Issuer to redeem, prepay or repurchase Funding Obligations incurred by or on behalf of the Issuer, including any premium, make-whole or other amount payable to give effect to the prepayment, redemption or repurchase, that are paid or payable during the ~~Reference Period~~period;

(iv) payments required to be made in respect of any derivative agreements during the ~~Reference Period~~period, including ordinary course payments, payments on termination and payments made in connection with margining or collateral arrangements;

(v) amounts deposited, as required under the governing documents of Funding Obligations, into capital accounts or finance reserve accounts during the Reference Period;

(vi) ~~fees~~Issuer expenses, including fees (including fees charged by the Financial Services Manager), charges, costs, indemnities, reimbursements and other amounts incurred or committed to by or on behalf of the Issuer as a result of an activity authorized or permitted under the FHPA, and any taxes on such amounts, in each case that are paid or payable during the ~~Reference Period; and~~period;

(vii) taxes paid or payable by ~~the Issuer~~or on behalf of the Issuer, incurred directly or indirectly by the Issuer, or for which the Issuer is otherwise liable as a result of any activity, undertaking, transaction or event authorized or permitted under the FHPA that ~~are paid or~~ payable during the ~~Reference Period;~~period; and

(viii) amounts paid or payable by or on behalf of the Issuer during the period to any guarantor or surety that made a payment of an amount due and payable under a funding obligation, including pursuant to a guarantee, indemnity, contract of insurance or agreement entered into under subsection 5(2) or (3) of the FHPA;

(b) after eliminating any duplication in the following amounts, calculating the sum of the following amounts:

(i) amounts withdrawn, as required under the governing documents of Funding Obligations, from capital accounts or finance reserve accounts during the ~~Reference Period~~period;

(ii) for any period before May 1, 2021, amounts received during the ~~Reference Period in respect of funding rebates~~period in respect of Carrying Costs and Funding Rebates and for any period on and after May 1, 2021, amounts received during the period in respect of Funding Rebates;

(iii) the aggregate of all amounts received by or on behalf of the Issuer in respect of Funding Obligations during the ~~Reference Period~~period;

(iv) the principal amount of Funding Obligations incurred by the Issuer that are applied to refinance existing Funding Obligation during the ~~Reference Period~~period;

(v) any payments received in connection with a derivative agreement, including ordinary course receipts, payments received on termination and payments received in connection with margining or collateral arrangements, in each case during the ~~Reference Period~~period;

(vi) amounts received by or on behalf of the Issuer as a refund of tax ~~during the Reference Period~~and to which the Issuer is entitled as a result of any activity, undertaking, transaction or event authorized or permitted under the FHPA during the period; and

(c) subtracting the sum calculated under (~~a~~b) from the sum calculated under (~~b~~a).

~~The Clean Energy Adjustment will also take into account a true up comprised of~~In determining the Clean Energy Adjustment, the Financial Services Manager must also calculate a "**True-up Amount**" in accordance with the Regulations. In principle, the True-up Amount should serve to ensure that the collection of the Clean Energy Adjustments is sufficient to pay the Finance Amount when it is due, by capturing any Finance Amounts not previously received in respect of the Clean Energy Adjustment ~~plus other anticipated shortfalls (the "**True-up Amount**")~~during the preceding Reference Periods. The True-up Amount ~~accounts for~~may also reflect historical and reasonably foreseeable differences between the ~~required Clean Energy Adjustment~~estimated and actual Finance Amount; between amounts invoiced and amounts collected due to various factors, including applicable taxes, consumer defaults and delays, billing lags and write-offs~~,~~; and variations in billings due to variations in electricity consumption ~~and~~. In determining such differences, the Financial Services Manager is required to have regard to amounts payable that were not collected and any amounts in respect of which an overpayment was made, which may include amounts resulting from a default of Specified Consumers, an Electricity Vendor or the IESO, whether in its capacity as an Electricity Vendor or its activities as agent or otherwise under the FHPA and the Regulations. The Regulations obligate the Financial Services Manager to calculate the True-up Amount in respect of each Reference Period so long as all Funding Obligations and other Finance Amounts have not been paid in full. ~~After the final scheduled payment date of the Funding Obligation that has the latest maturity date of all outstanding Funding Obligations, the Financial Services Manager will calculate the True-up Amount quarterly.~~ The Financial Services Manager may also at any time during a Reference Period determine an interim True-up Amount if, among other things, it reasonably forecasts that the collection of the Clean Energy Adjustment will be insufficient to pay the estimated Finance Amount for a Reference Period.

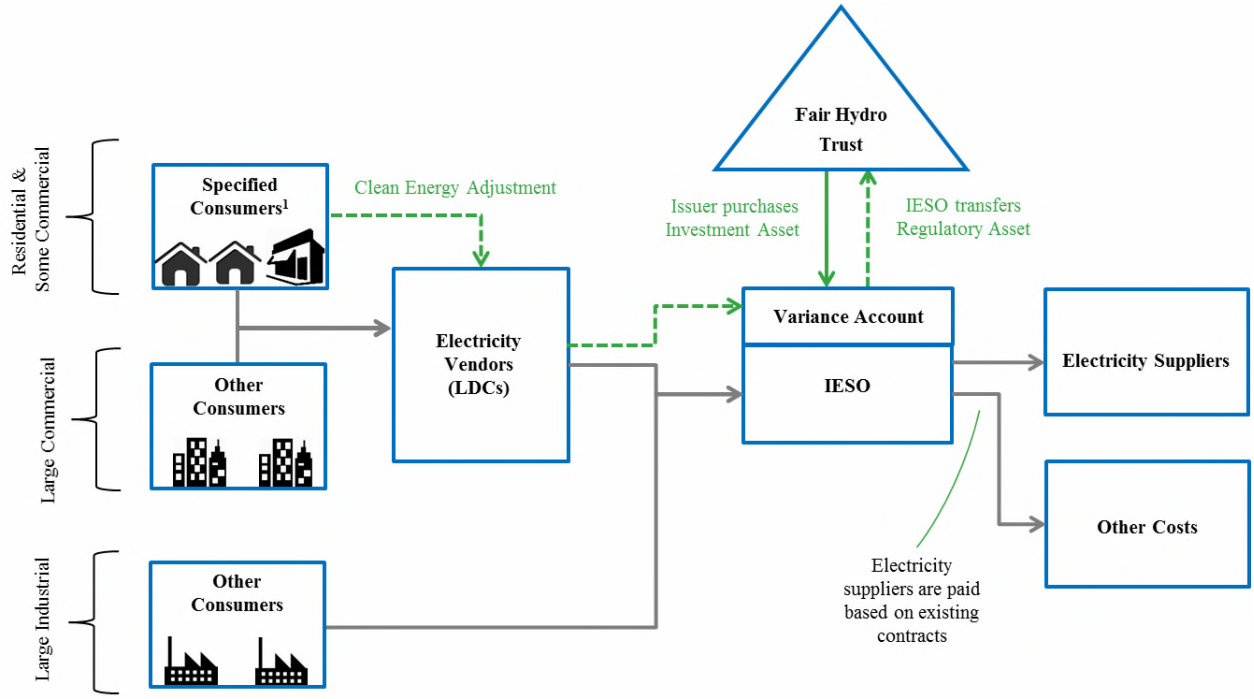
The Financial Services Manager must notify the OEB of the Clean Energy Adjustment for each Reference Period. The OEB must accept this amount and will determine the rates at which Specified Consumers are to be invoiced to recover the Clean Energy Adjustment. The rates are expressed as a ~~$/~~cent per kWh amount and are determined by the OEB by dividing (i) the Clean Energy Adjustment ~~in respect of the relevant period of time~~ provided by the Financial Services Manager in respect of the relevant period of time by (ii) the forecast of electricity consumption ~~provided by the IESO~~ of Specified ~~Consumers~~Creditors in respect of ~~the period~~such period, based on forecast information provided to the OEB by the IESO. Electricity Vendors are required to invoice their Specified Consumers for the Clean Energy Adjustment, as determined by applying the rate set by the OEB, which is required to be included as a separate line item on each invoice. Electricity Vendors are required to collect, as agent of the [Issuer],[37] amounts in respect of the Clean Energy Adjustment, deposit such amounts into a segregated account established for the purpose of receiving those amounts, and hold such amounts in trust for the benefit of the [Issuer] until ~~deposited with the IESO and remit such amounts~~remitted to the IESO for the benefit of the [the owners of Investment Interests (initially, only the Issuer)]. If an Electricity Vendor does not receive payment in full of an invoice issued to a Specified Consumer, the Electricity Vendor shall allocate ~~the~~any payment received on a *pro rata* basis to the Clean Energy Adjustment and the other amounts payable under the particular invoice.[38] It is a deemed condition of their licenses that Electricity Vendors comply with their obligations under the FHPA.[39] If there are any

[37] **Note:** Please see note 16 regarding the placement of square brackets around "the Issuer" in this paragraph. The disclosure should indicate that amounts are collected for the Investment Interests owners (and that, as at the date of the OM, the Issuer is the only Investment Interest owner).
[38] **Note:** Please consider revising to conform more closely to Section 17(4) of the FHPA.
[39] **Note:** Please confirm.

amounts that are collected by the Electricity Vendor, but not remitted to the IESO to remit to [the Issuer] during a Reference Period, such shortfall will be included in the True-up Amount for the subsequent period.

An amount in respect of the Clean Energy Adjustment shown on an invoice issued to a Specified Consumer is determinative of the amount of such Specified Consumer's indebtedness resulting from the Clean Energy Adjustment and is irrevocable upon invoicing and may not be set off or bypassed, except to the extent that the invoice reflects a clerical, typographical or calculation-related error. [Commencing May 1, 2021, a charge in respect of the Clean Energy Adjustment will be included on invoices sent to Specified Consumers, and collected and remitted to the Issuer to pay amounts owing on the Senior Notes and all other administrative and other financing expenses of the Issuer. From July 1, 2017 until April 30, 2021 (the "**Moratorium Period**"), no Clean Energy Adjustments are permitted to be collected from Specified Consumers. During the Moratorium Period, the sole source of funds for payment on the Senior Notes, and the Issuer's other ~~carrying costs~~Carrying Costs, will be the amounts the IESO is obligated to pay under the Regulations during such period.][40] See *"— IESO Payment of Carrying Costs during the Moratorium Period"* below. Once it starts being included on such invoices, the Clean Energy Adjustment will be collected until all outstanding Funding Obligations and other Finance Amounts have been repaid in full. Subject to the FHPA, the Clean Energy Adjustment will be collected and remitted to the Issuer to pay the Finance Amount, including the principal and interest on the Senior Notes and all other administrative and other financing expenses of the Issuer.

The following diagram illustrates the flow of funds under the Fair Hydro Plan.



[1] There is currently one Specified Consumer that is directly connected to the IESO and, accordingly, makes payments, including in respect of the Clean Energy Adjustment, directly to the IESO.

Fair Allocation Amount and Financing Plan

The FHPA was enacted to: (i) ensure that Clean Energy Costs and Clean Energy Benefits are fairly allocated among present and future Specified Consumers; (ii) recognize that Clean Energy Benefits have accrued and

[40] **Note:** This narrative should more precisely track the FHPA. The relevant provisions are Section 25(3) [*the IESO shall not be entitled to collect all or part of the balance recorded in the variance account from specified consumers before May 1, 2021*] and Section 21(4) [*limitation on the Financial Services Manager incurring funding obligations payable through Clean Energy Adjustments from July 1, 2017 to April 30, 2021*].

will accrue over time and will continue to benefit present and future electricity consumers in Ontario; and (iii) align Clean Energy Costs with Clean Energy Benefits, in order to provide fairness for Specified Consumers over time. Under the FHPA, the Minister of Energy calculates a "**Fair Allocation Amount**", which is an amount for every Reference Period that, among other things, allocates the estimated Clean Energy Costs in proportion to the relative attribution of Clean Energy Benefits among Specified Consumers.[41] Under the FHPA, the Minister of Energy is responsible for determining the Fair Allocation Amount prior to the incurrence of ~~any~~the first Funding ~~Obligations and the~~Obligation. The Fair Allocation Amount may be changed from time to time in accordance with the FHPA, provided that no change of the Fair Allocation Amount shall affect any Clean Energy Adjustment that arises as a result of a Funding Obligation that has been incurred prior to such change.

OPG, as Financial Services Manager, is required to prepare a Financing Plan to evaluate whether and when potential Funding Obligations should be incurred by a Financing Entity to acquire an Investment Interest or for the purposes of a Refinancing. The Financial Services Manager is required to prepare the Financing Plan having regard to certain prescribed principles, including that Funding Obligations should be incurred ~~so that~~such that, along with any Funding Obligations already incurred, the estimated Finance Amount that would, subject to any Refinancing, become due and payable during a Reference Period will reasonably align with the Fair Allocation Amount determined in respect of such Reference Period as of the date the Funding Obligations were incurred, after reducing the Fair Allocation Amount by the Readjustment Amount, if any, in respect of the Reference Period. In other words, the Financing Plan should contemplate the issuance of Funding Obligations from time to time, with terms that would result in Clean Energy Adjustments being payable by Specified Consumers that align with the purposes of the FHPA[, namely, to ensure that present and future Specified Consumers are bearing their fair share of the costs of providing Clean Energy Benefits][42]. Notwithstanding the above, the FHPA provides that each Funding Obligation is deemed to be consistent with the Financing Plan and to provide for the reasonable alignment of the estimated Finance Amount with the Fair Allocation Amount.

Currently, the Clean Energy Costs have been determined to exceed the Clean Energy Benefits, with the result that the Fair Allocation Amount is negative. This [means that the Minister of Energy has determined that current Specified Consumers have borne more than their fair share of Clean Energy Costs (with the consequent rate reduction for current Specified Consumers). The Fair Allocation Amount is expected to be negative until at least May 2024.][43] Accordingly, the Financing Plan does not currently contemplate the issuance of any Senior Notes maturing prior to May 2024. The Financial Services Manager may, however, determine to refinance Senior Notes maturing after May 2024 through the issuance of another Series of Senior Notes. If Senior Notes cannot be refinanced on or before the applicable Principal Payment Default Date, holders of such Senior Notes will have the ability to accelerate their Senior Notes resulting in Clean Energy Adjustments that would otherwise be used to pay the principal amount of subordinated indebtedness to holders of subordinated Notes being used to pay holders of accelerated Senior Notes.

The Financing Plan allows for the issuance of a variety of short and long term debt. See the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum for more details regarding the Financing Plan and the Fair Allocation Amount.

IESO Payment of Carrying Costs During the Moratorium Period

Commencing May 1, 2021, a charge in respect of the Clean Energy Adjustment will be included on invoices sent to Specified Consumers, and collected and remitted to the Issuer to pay amounts owing on the Senior Notes and all other administrative and financing expenses of the Issuer. During the Moratorium Period and extending to July 31, 2021,[44] the IESO, which is rated A(high) by DBRS Limited ("**DBRS**") and Aa2 by Moody's Investors Services, Inc. ("**Moody's**"), is required under the Regulations to pay and remit to the Issuer amounts charged to the IESO by the Issuer in respect of its ~~"carrying costs". "~~Carrying Costs. Carrying ~~costs"~~Costs include all funding costs (such as interest on the Senior Notes) and other expenses of the Issuer, other than repayment of principal on any debt

[41] **Note:** Please consider a description of the fair allocation amount that more closely aligns to Section 20(1) of the FHPA.
[42] **Note:** Any description of the purpose of the FHPA should conform with the stated purposes of the Act set out in Section 3.
[43] **Note:** MOE to confirm.
[44] **Note:** Please clarify this disclosure for consistency with Section 9.1(1) of the General Regulation. This provision states that the IESO shall pay financing entity carrying costs in respect of the period beginning June 1, 2017 (before the Moratorium Period) and ending July 31, 2021.

obligations of the Issuer (including repayment of principal on the Senior Notes).[45] The amounts paid by the IESO to fund these ~~carrying costs~~Carrying Costs will be recorded by the IESO in a variance account and form part of the Regulatory Asset that the IESO is expected to transfer to the Issuer in a subsequent period and, upon such transfer, will become part of the Issuer's Investment Interest pursuant to the Regulations.

Pursuant to the Master Transfer and Servicing Agreement, on or before the fourth business day of each calendar month, the Issuer will submit a carrying costs statement to the IESO certifying the amount of ~~carrying costs~~Carrying Costs estimated to be incurred by the Issuer in the following month. On or before the 14th business day following receipt of the Issuer's statement, the IESO is required to deliver the amount specified in the carrying costs statement to the Issuer. See "*The Transferor and Servicer*". The IESO has a $2 billion unsecured credit facility provided by the Ontario Financing Authority, expiring ■, 20■, which ~~can~~is permitted to be used to pay the Issuer's ~~carrying costs~~Carrying Costs. Furthermore, as security for the performance of its obligations under the Regulations to pay the Issuer's ~~carrying costs~~Carrying Costs, the IESO has granted the Issuer a first-priority security interest in all of its accounts receivable, which includes the amounts receivable by the IESO from Electricity Vendors with respect to the global adjustment charge. See "*The Transferor and Servicer*".

Other Statutory Protections

The FHPA provides certain protection and assurances in respect of the obligations of Specified Consumers to pay amounts in respect of the Clean Energy Adjustment. Generally, no action or omission by the OEB, the Minister of Energy or the ~~Ontario government~~Crown, and no regulation under the FHPA, will be effective to reduce, impair, postpone or terminate the obligations of Specified Consumers to pay amounts in respect of the Clean Energy Adjustment or to impair or postpone the invoicing, collection or remittance of the Clean Energy Adjustment. If an Electricity Vendor, the IESO or the Financial Services Manager, has failed, or will fail, to comply with the FHPA or the Regulations, the Issuer may apply to an Ontario court to make an order directing such party to comply and requiring compensation to be provided to the Issuer by such non-compliant party. Additional contractual protections are provided in the Change of Law Protection Agreement described below.

CHANGE OF LAW PROTECTION AGREEMENT

The following brief summary of certain provisions of the Change of Law Protection Agreement does not purport to be comprehensive or definitive. All references in this confidential shelf offering memorandum to the Change of Law Protection Agreement are qualified in their entirety by reference to the Change of Law Protection Agreement and the detailed provisions thereof. The Change of Law Protection Agreement may be reviewed at the principal office of the Issuer Trustee in Toronto, Ontario during normal business hours while any Senior Notes are outstanding.

Pursuant to the Change of Law Protection Agreement in favour of the ~~Issuer and~~Indenture Trustee, upon a Protection Event and delivery by the Indenture Trustee~~, upon a Protection Event~~ of a written payment demand, the Province of Ontario is required to make payments of amounts that are due and payable in respect of all Approved Obligations when due and payable into the Protection Account (as hereinafter defined). The Issuer and Indenture Trustee must ensure that amounts deposited into the Protection Account are applied to pay each Specified Creditor to whom an amount is due and payable under an Approved Obligation. The Province of Ontario's obligation to make such payments under the Change of Law Protection Agreement upon a Protection Event and delivery by the Indenture Trustee of a written payment demand is referred to as the "**Limited Guarantee**".

The payment obligations of the Province of Ontario under the Limited Guarantee differ depending on whether an Acceleration has occurred. If no Acceleration has occurred in respect of any Obligation Secured on or before a date on which the Province of Ontario is to perform the Limited Guarantee, the Change of Law Protection Agreement provides that the Province of Ontario is to pay the amounts due and payable on such date in respect of Approved Obligations. If an Acceleration has occurred in respect of any Obligation Secured on or before a date on which the Province of Ontario is to perform the Limited Guarantee, the Province of Ontario is to pay the amounts that would be available to be paid on such date in respect of the Approved Obligation on an applicable payment date in respect of the Approved Obligation under the applicable payment provisions of the Master Trust Indenture,

[45] **Note:** Consider revising to conform with the definition of "carrying costs" in Section 9.1(3) of the General Regulation.

determined on the assumption that the amount available for allocation to Specified Creditors in accordance with such applicable payment provisions of the Master Trust Indenture in respect of each relevant month during each Reference Period is equal to the estimated Finance Amount determined in respect of such Reference Period for purposes of [section 15(1) of the FHPA (in effect as at December 21, 2017), including section 6.1 of the General Regulation under the FHPA (in effect as at December 21, 2017)][46], divided by the number of months in such Reference Period.

The Province of Ontario is not obligated to pay or indemnify the Indenture Trustee or any Specified Creditor for consequential, special or punitive damages, or for economic loss or loss of profits (provided that economic loss does not include payments of amounts that are due and payable in respect of the Notes).

Under the Change of Law Protection Agreement, the right to deliver a written payment demand on occurrence of a Protection Event to enforce the Limited Guarantee is the only remedy available to the Indenture Trustee (and to Specified Creditors, to the extent they are permitted to exercise any rights, interests or elections under and in accordance with the Master Trust Indenture). Specified Creditors are not permitted to exercise any rights, interests, or elections under the Change of Law Protection Agreement, other than in the manner and to the extent effected and exercised under, in accordance with and subject to the limitations set forth in the Master Trust Indenture as at December 21, 2017.

In connection with the provision of the Limited Guarantee, OPG, as Financial Services Manager, has entered into a process agreement with the Province of Ontario pursuant to which OPG is required to satisfy certain reporting and other requirements regarding the Issuer's incurrence of, and material amendments to, any Issuer Funding Obligations.

Protection Event

Each of the following constitutes a "**Protection Event**" under the Change of Law Protection Agreement:

(a)

(i) the Ontario legislature repeals, and does not replace on an equivalent basis, or amends, the FHPA, in whole or in part, as in effect on the date hereof;

(ii) the Ontario legislature enacts or amends any other statute;

(iii) the Lieutenant Governor in Council repeals, and does not replace on an equivalent basis, the regulations made under ~~or in connection with,~~ the FHPA, in whole or in part, as in effect on the date hereof;

(iv) the Lieutenant Governor in Council, a minister of the ~~Province of Ontario~~Crown, an official of the government or a board or commission all the members of which are appointed by the Lieutenant Governor in Council makes or amends any "regulation" (as defined in Part III of the *Legislation Act, 2006*) as in effect on the date hereof; or

(v) ~~there is~~the implementation of a change in the organization or structure of the IESO or Ontario's electricity market undertaken at the initiative of the Province of Ontario or ~~any~~an entity controlled by the Province of Ontario,

in each case, that (X) adversely affects the ability of the Issuer to receive amounts in respect of its Investment Interest so that it can pay Approved Obligations when due and payable, in each case determined after taking into account and having regard to (i) any funds available at such time to apply to such Approved Obligations, including in any finance reserve account, capital account or collateral posting account applicable under a derivative agreement, (ii) the availability of any credit enhancement agreement

[46] Perhaps this should instead cross-reference a more detailed description and explanation of the "Acceleration" mechanics under 6.1 of the Regulation.

to which the Issuer is a party and (iii) any reasonably expected potential effect of a True-up Amount in the Reference Period immediately following the occurrence of an event described in any of clauses (~~a~~i) to (~~e~~v) above, or (Y) adversely affects the enforceability of, or adversely changes, the terms and conditions of the Change of Law Protection Agreement or of any of the agreements under which Approved Obligations arise; or

(b) a court of competent jurisdiction determines that all or a portion of the FHPA or the Regulations, as in effect on the date hereof, is *ultra vires* or invalid in a way that adversely affects the ability of the Issuer to receive amounts in respect of its Investment Interest so that it can pay Approved Obligations when due and payable and that has the effect of the Issuer not in fact having sufficient funds to pay such Approved Obligations that have become due and payable, in each case determined after taking into account and having regard to (i) any funds available at such time to apply to such Approved Obligations, including in any finance reserve account, capital account or collateral posting account applicable under a derivative agreement, (ii) the availability of any credit enhancement agreement to which the Issuer is a party and (iii) any reasonably expected potential effect of a True-up Amount in the Reference Period immediately following the occurrence of an event described in this paragraph (b).

The occurrence of a Protection Event in and of itself will not result in the acceleration of the Senior Notes.

~~The priority of payments made~~

On a Protection Event and payment by the Province of Ontario ~~under the Change of Law Protection Agreement is governed by the Master Trust Indenture. Upon paying amounts in respect of the Approved Obligations, the Province of Ontario will have a right of subrogation that includes the entitlement to all rights and interests under and in respect of such Approved Obligations, including the security interest in each related Investment Interest and any related property of the Issuer.~~of amounts in respect of Approved Obligations that are due and payable into the Protection Account, such deposited amounts are applied by the Issuer and Indenture Trustee in the priority of payments governed by the Master Trust Indenture.

Upon the Province of Ontario's payment of amounts in respect of Approved Obligations that are due and payable into the Protection Account, the Province of Ontario will be subrogated and entitled to all of the rights and interests of applicable Specified Creditors (including Noteholders) under and in respect of the Approved Obligations to the extent of the amounts paid. Applicable Specified Creditors in respect of whom amounts were deposited into the Protection Account will not have continuing rights, interests or entitlements (including rights as a secured party) in respect of Approved Obligations to the extent so paid; the Province of Ontario will be the absolute assignee of such rights. The Province of Ontario will have the right to be paid from the Issuer the amounts that the Province of Ontario paid in respect of the Approved Obligations ("**Subrogation Amounts**"), such Subrogation Amounts being payable in the same order of priority and with the same entitlements accruing to the Province of Ontario as applied to the amounts in respect of the Approved Obligations previously owing to Specified Creditors that the Province of Ontario has paid. The Province of Ontario will also be entitled to the benefit of the Collateral (as hereinafter defined) and proceeds therefrom to the extent of the amounts paid under the Limited Guarantee.

As payee of Subrogation Amounts, the Province of Ontario will be a Specified Creditor under the Master Trust Indenture and no person entitled under any Obligation Secured (including a Specified Creditor) that ranks equal with or subordinate to the Approved Obligation in respect of which the Province of Ontario is owed a Subrogation Amount will be entitled to make any claim or assert any right in or to the amounts paid or payable to the Province of Ontario, and no such person will have any right to the Collateral or any proceeds therefrom in respect of any Subrogation Amount. Further, the entitlements of the Province of Ontario to Subrogation Amounts arising in respect of Approved Obligations that are interest and principal obligations on Notes will be treated for all purposes of the Master Trust Indenture as interest and principal obligations, respectively, arising under Notes, having the same priority and any applicable voting rights as under the related Approved Obligations, and accordingly the Province of Ontario will be entitled to all of the rights, entitlements, interests and privileges of a holder of such Notes in accordance with the Master Trust Indenture, as supplemented by the supplemental indenture or other indenture document under which the related Approved Obligations were issued.

Approved Obligations & Adherence Conditions

Under the Management Agreement, the Manager is required to ensure that all obligations of the Issuer are and remain Approved Obligations under the Change of Law Protection Agreement.

An "**Approved Obligation**" under the Change of Law Protection Agreement means: (i) a Certified Primary Obligation if the adherence conditions applicable thereto have been satisfied at the time such obligation was incurred; (ii) all other Primary Obligations that are not Certified Primary Obligations (except any Primary Obligation to which the Limited Guarantee will not apply on or after delivery of a Suspension Notice as described below); and (iii) all Certified Primary Obligations that the Province of Ontario, in its sole discretion, designates in writing is an Approved Obligation.

A "**Primary Obligation**" under the Change of Law Protection Agreements means any Obligation Secured under the Master Trust Indenture (i) that is a Funding Obligation or (ii) that otherwise is a payment obligation of the Issuer that gives rise to a Finance Amount, in each case other than (x) any amounts required to be deposited by or on behalf of the Issuer into any capital account or finance reserve account; and (y) any obligation to pay the Issuer or on the Issuer's direction any remaining amounts in the Collection Account pursuant to the Master Trust Indenture.

A "**Certified Primary Obligation**" means a Primary Obligation: (i) incurred by or on behalf of the Issuer to fund its ownership of an Investment Interest, including any ~~refinancing of a Certified Primary Obligation~~Refinancing, other than a Post-Suspension Refinancing or a Pre-Approved Refinancing (each as defined below), of such a Primary Obligation (for greater certainty, including, in the case of any Certified Primary Obligation permitting funding transactions pursuant to a Funding Obligation Agreement applicable to the Certified Primary Obligation, each individual borrowing or funding utilization thereunder), (ii) incurred by or on behalf of the Issuer upon the Issuer entering into a derivative agreement, in which case the Certified Primary Obligation therefor shall be the Master Agreement applicable to such derivative agreement and not any individual trade confirmation other than a trade confirmation that modifies or purports to override the express terms or conditions of the related Master Agreement, or (iii) incurred by or on behalf of the Issuer upon entering into a contract that has a term of more than three (3) years which is not terminable by the Issuer giving three (3) years' notice or less and expected (as determined by the Manager, acting reasonably) aggregate payments by the Issuer thereunder during the term of such contract are or would be in excess of $5,000,000 (that, for greater certainty, is not otherwise captured in clauses (i) and (ii) above).

The Limited Guarantee shall apply to all Certified Primary Obligations that meet the following adherence conditions:

(a) the Certified Primary Obligation when incurred is an Obligation Secured under the Master Trust Indenture;

(b) OPG, as Financial Services Manager, delivers a certificate to the Indenture Trustee ~~prior to~~on or before the incurrence of such obligation certifying ~~that it~~, among other things, that OPG has delivered a certificate to the Province of Ontario confirming that OPG has complied with all of its obligations to the Province of Ontario and internal requirements and processes in connection with the adherence of the Limited Guarantee to the Certified Primary Obligation (an "**Adherence Compliance Certificate**"); and

(c) the Province of Ontario has not provided a Suspension Notice to the Indenture Trustee, OPG and the Issuer.

All Senior Notes shall constitute Obligations Secured under the Master Trust Indenture and therefore condition (a) above will be satisfied for all Offerings of Senior Notes. It will be a condition to any Offering of Senior Notes that OPG deliver the adherence certificate required pursuant to (b) above or that the Province of Ontario designates in writing that the Senior Notes are Approved Obligations. The Change of Law Protection Agreement provides that delivery of an adherence certificate shall be determinative of satisfaction of this adherence condition,

notwithstanding that such certificate may include inaccuracies, be incomplete or otherwise be defective or deficient, and such certificate may be relied upon as conclusive evidence of same.

Suspension Notice & Post-Suspension Refinancings

The Change of Law Protection Agreement will remain in full force and effect ~~for as long as any Senior Notes remain outstanding~~until the indefeasible payment, observance and performance in full of the Approved Obligations.

However, in the following limited circumstances, the Province of Ontario may deliver a written notice (a "**Suspension Notice**") to the Indenture Trustee, the Financial Services Manager and the Issuer:

(a) an acceleration of Funding Obligations in accordance with the provisions of the Master Trust Indenture or an event of default, early amortization event, termination event or similar event or circumstance (including any event that with the passage of time or the giving of notice would become such an event) of or in respect of the obligations of any party under any Program Agreement;

(b) a default in the performance, or breach, of any covenants of OPG, as Financial Services Manager, or OPG, in its corporate capacity, in each case to the Province of Ontario in connection with its obligations to the Province of Ontario pursuant to internal requirements and processes in connection with the provision or adherence of the Limited Guarantee to or in respect of any Certified Primary Obligation and the expiration of any applicable cure period;

(c) a representation or warranty made by OPG or a certification made by one or more officers of OPG, in each case whether as Financial Services Manager or in its corporate capacity, to the Province of Ontario in connection with its obligations to the Province of Ontario and its internal requirements and processes in connection with the provision or adherence of the Limited Guarantee to or in respect of any Certified Primary Obligations, proves to be incorrect in any material respect on the date made and the expiration of any applicable cure period; or

(d) the Financial Services Manager no longer being the Manager or actions having been taken by or on behalf of the Indenture Trustee to remove the Financial Services Manager as the Manager;

If a Suspension Notice has been provided under the Change of Law Protection Agreement (the provision of such notice being a "**Suspension Event**"), the Limited Guarantee shall not apply in respect of: (i) any Primary Obligation incurred, excluding any Post-Suspension Refinancing, or (ii) any amendment of any Primary Obligation that has a Material Effect, unless otherwise agreed to by the Province of Ontario, in each case, on or after the time such Suspension Notice is delivered.

Following the occurrence of a Suspension Event, the Limited Guarantee shall continue to apply in respect of any Post-Suspension Refinancing; provided that prior to the Financing Entity incurring any Primary Obligation constituting a Post-Suspension Refinancing, the Manager shall provide the Province of Ontario with at least 30 days' notice of its intention to seek a Post-Suspension Refinancing and during such 30-day period the Province of Ontario may, but is not obligated to, offer to fund such Post-Suspension Refinancing or arrange for another Person to fund such Post-Suspension Refinancing on the same terms as set out in the notice or on such other terms as may be considered by the Province of Ontario to be not more onerous on the Financing Entity and that are acceptable on that basis to the Financing Entity, acting reasonably.

A "**Post-Suspension Refinancing**" means a Funding Obligation that is an Obligation Secured and that is incurred on or after the occurrence of a Suspension Event in compliance with the requirements of the Change of Law Protection Agreement, as a ~~refinancing~~Refinancing of one or more Series of Approved Obligations (including any Pre-Approved Refinancing incurred on or after the occurrence of a Suspension Event), in each case the proceeds of which, together with any other funds that may be available, are used solely for the purpose of paying in full such Series of Approved Obligations and any costs and expenses associated with such ~~refinancing~~Refinancing.

A "**Pre-Approved Refinancing**" means a ~~refinancing~~Refinancing of a Certified Primary Obligation in respect of which the Province of Ontario has, prior to the incurrence of such Certified Primary Obligation, agreed shall be an Approved Obligation, subject to compliance with such conditions and requirements as may be specified in such agreement.

A "**Material Effect**" means a material adverse effect on the obligations or the rights of the Province of Ontario under the Limited Guarantee that relates to, and in each case, differs in any material respect from the terms or conditions applicable to any transaction document ~~to which the Limited Guarantee applies and~~ which was previously provided to the Province of Ontario, the following: (i) the timing of or circumstances under which Primary Obligations would or may become due or accrue (including as a result of any default, acceleration, termination, wind-up, liquidation or realization) that, in each case, is inconsistent with the Fair Allocation Amount; (ii) the appointment, obligations or duties of OPG as the Manager; (iii) the existence, powers or authority of the Issuer or the Issuer Trustee; (iv) the obligations of the Indenture Trustee to or in respect of the Province of Ontario as a Specified Creditor; (v) the payment provisions and associated priorities set forth in the Master Trust Indenture; (vi) compliance by the Financial Services Manager with the then applicable Financing Plan; (vii) compliance by the Financial Services Manager or the Issuer with the FHPA or the Regulations; or (viii) the Province of Ontario's rights of subrogation or assignment or its interests as a subrogee or an assignee, that would arise as a result of performing the Limited Guarantee in respect of the applicable Primary Obligation.

Accordingly, notwithstanding delivery of a Suspension Notice, the Limited Guarantee shall continue to apply to: (i) any Approved Obligations that were incurred prior to the Suspension Event and (ii) any Funding Obligations incurred by the Issuer following a Suspension Event if the terms and conditions of the Change of Law Protection Agreement are satisfied and the proceeds of such incurrence are to be used for the purpose of repaying one or more series of Approved Obligations. Accordingly, subject to compliance with the Change of Law Protection Agreement, any Senior Notes or other Funding Obligations that may be issued following a Suspension Event to refinance Senior Notes that were Approved Obligations issued prior to a Suspension Event will continue to have the benefit of the Limited Guarantee.

THE ISSUER

The Issuer is an unincorporated open-ended unit trust ~~established under~~governed by the laws of the Province of Ontario pursuant to a declaration of trust made December 20, 2017 (the "**Declaration of Trust**"). Computershare Trust Company of Canada (the "**Issuer Trustee**") is the sole trustee of the Issuer, which is a Financing Entity established to incur Funding Obligations for the purpose of acquiring Investment Interests pursuant to the FHPA. The principal business address and head office of the Issuer is in Ontario, in the care of the Issuer Trustee at the following address: 100 University Avenue, 11th Floor, Toronto, Ontario M5J 2Y1.

The following brief summary of certain provisions of the Declaration of Trust does not purport to be comprehensive or definitive. All references in this confidential shelf offering memorandum to the Declaration of Trust are qualified in their entirety by reference to the Declaration of Trust and the detailed provisions thereof. The Declaration of Trust may be reviewed at the principal office of the Issuer Trustee in Toronto, Ontario during normal business hours while any Senior Notes are outstanding.

The Declaration of Trust establishes the Issuer to carry on activities for the exclusive benefit of its unitholders, FHP2017 Inc., a wholly-owned subsidiary of OPG, and BNY Trust Company of Canada, the Indenture Trustee under the Master Trust Indenture (collectively, the "**Unitholders**"). The beneficial interest and rights generally of the Unitholders in the Issuer are limited to the right to participate in distributions when and as declared by the Issuer Trustee and distributions upon the termination of the Issuer. The legal ownership of the trust property and the right to conduct the activities of the Issuer are vested exclusively in the Issuer Trustee and no Unitholder has any right of ownership in any of the trust property. Except in limited circumstances provided in the Declaration of Trust, no Unitholder is entitled to interfere with or give any direction to the Issuer Trustee with respect to the affairs of the Issuer or in connection with the exercise of any powers or authorities conferred upon the Issuer Trustee under the Declaration of Trust. The Issuer Trustee will generally have, free from any power or control on the part of the Unitholders, full authority over the trust property and the activities of the Issuer to the same extent as if the Issuer Trustee were the sole and absolute owner thereof. The Unitholders will also not be subject to any liability arising out of the activities of the Issuer.

The Issuer Trustee, on behalf of the Issuer, has entered into a management agreement with OPG, as Manager, whereby all of the powers and duties of managing the Issuer have been delegated to the Manager. See *"The Manager."*

The permitted activities of the Issuer are limited to:

(a) acquiring, owning, holding, administering or entering into agreements regarding the acquisition and servicing of Investment Interests, along with certain other related assets;

(b) managing, selling, assigning, pledging and collecting amounts due on or otherwise dealing with Investment Interests and certain other related assets in accordance with the terms of the Program Agreements;

(c) negotiating, authorizing, executing, delivering, assuming the obligations under and performing its duties under the Program Agreements;

(d) filing with any applicable securities commission one or more prospectuses, offering memoranda, registration statements or documents necessary or desirable to register one or more series of Funding Obligations under the securities laws of any applicable jurisdiction;

(e) authorizing, executing, delivering, issuing and registering one or more series of Funding Obligations;

(f) making payments on Funding Obligations;

(g) pledging its interest in Investment Interests and related assets to the Indenture Trustee in order to secure Funding Obligations; and

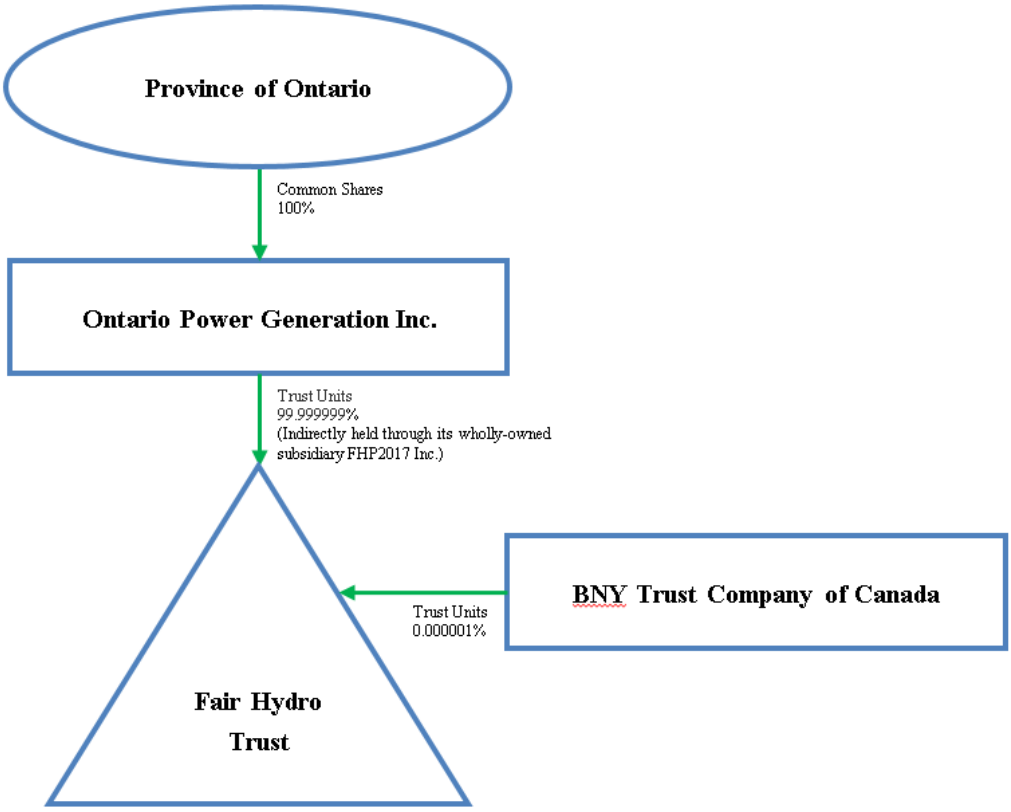
(h) engaging in any lawful act or activity that is incidental to the above-mentioned purposes.

The Issuer Trustee may amend the Declaration of Trust under specified circumstances without the consent of Unitholders provided (i) the amendment will not materially adversely affect the interest of any Unitholder, unless that Unitholder has approved of the amendment in writing, and (ii) in respect of any material amendment, the Rating Agency Condition has been satisfied. The Issuer Trustee is required to provide the Rating Agencies and the Indenture Trustee with a copy of any amendment, variation, supplement, replacement or restatement of the Declaration of Trust.

The consent of the Indenture Trustee, in addition to all other Unitholders, will be required to wind up the Issuer or voluntarily institute or consent to insolvency proceedings against the Issuer while any Funding Obligations remain outstanding. The Issuer Trustee may be removed by the Unitholders at any time by notice in writing delivered to the Issuer Trustee not less than 90 days prior to the date such removal is to take effect. The Issuer Trustee may also be removed by the Unitholders with no prior written notice if it becomes bankrupt or insolvent or it is unable to exercise its duties under the Declaration of Trust. The Issuer Trustee may resign on 120 days' prior written notice to the Unitholders, the Indenture Trustee and the Rating Agencies. No such resignation will be effective until a replacement issuer trustee acceptable to the Unitholders and the Indenture Trustee has been appointed and the Rating Agency Condition has been satisfied.

Each of the Issuer Trustee and its directors, officers, agents, representatives and employees will be indemnified from and against all claims (including any claim arising out of the assessment of any tax on income by a taxing authority), demands, levies, penalties, suits, losses, actions, causes of action, costs, charges, fees and expenses, damages and liabilities whatsoever arising out of, among other things, any action or omission in relation to the execution of the duties of the Issuer Trustee or in relation to the trust property or the activities of the Issuer, except, in each case, for wilful misconduct, gross negligence or failure to comply with the standard of care established by the Declaration of Trust.

The following diagram illustrates the structure of the Issuer and its affiliates.



THE MANAGER

OPG has entered into a management agreement with the Issuer dated as of December 20, 2017 (the "**Management Agreement**") pursuant to which the Issuer has delegated to OPG, as Manager, all of the powers and duties of managing the Issuer. The following brief summary of certain provisions of the Management Agreement does not purport to be comprehensive or definitive. All references in this confidential shelf offering memorandum to the Management Agreement are qualified in their entirety by reference to the Management Agreement and the detailed provisions thereof. The Management Agreement may be reviewed at the principal office of the Issuer Trustee in Toronto, Ontario during normal business hours while any Senior Notes are outstanding.

The powers and duties delegated to the Manager under the Management Agreement include, among others:

(a) negotiating and executing, on behalf of the Issuer, the Program Agreements;

(b) maintaining accounts and banking records;

(c) enforcing the rights of the Issuer under the Program Agreements and the FHPA;

(d) determining, in accordance with the Financing Plan, when it is appropriate for the Issuer to incur Funding Obligations;

(e) ensuring that all Primary Obligations of the Issuer are and remain Approved Obligations;

(f) administering all activities of the Issuer in connection with the issuance, sale, payment, repurchase and redemption of the Issuer's Funding Obligations;

(g) preparing, in accordance with applicable securities laws, any offering documents to be furnished by the Issuer to prospective purchasers of Funding Obligations, including the Senior Notes, and ensuring that all statements of the Issuer made therein are at all times true and correct in all material respects;

(h) arranging for compliance by the Issuer with any continuous disclosure obligations;

(i) arranging for the retention of legal counsel, accountants and an auditor for the Issuer;

(j) preparing financial statements and paying taxes on behalf of the Issuer;

(k) preparing a monthly portfolio report setting out information regarding incoming and outgoing cash flows; and

(l) providing such other services as are incidental to the foregoing or as may be agreed upon between the Issuer and the Manager.

The Manager is also required to work with the IESO to develop, on or before January 31, 2020, a written implementation plan identifying the actions to be taken by the IESO and the Issuer to facilitate the OEB, the Issuer, the IESO and Electricity Vendors being prepared to perform their obligations under the FHPA and the Regulations when setting, invoicing and collecting the Clean Energy Adjustment. The Manager will deliver written progress reports to the Issuer and the Indenture Trustee on the status of the implementation plan on or before June 30, 2020, October 31, 2020 and January 31, 2021.

Following the Moratorium Period, the Manager will review a monthly servicer report required to be delivered to the Issuer by the IESO under the Master Transfer and Servicing Agreement and make commercially reasonable efforts to resolve any Electricity Vendor failures or discrepancies identified in such report that have not been remedied or adequately explained by Electricity Vendors. The Manager is obligated to institute any proceedings necessary to compel performance by Electricity Vendors of any obligations or duties under the FHPA and the Regulations, including with respect to the invoicing, collection and remittance of Clean Energy Adjustment amounts. Commencing May 1, 2021 and pursuant to its rights under the Regulations,[47] the Manager shall review, or cause to be reviewed, on an annual basis, or less frequently as may be determined by the Manager and subject to satisfaction of the Rating Agency Condition, the records maintained by Electricity Vendors with respect to the Clean Energy Adjustment and if there is evidence of material non-compliance by an Electricity Vendor, the Manager will promptly review or cause to be reviewed the records of such Electricity Vendor.

The Manager is obligated to perform its duties under the Management Agreement diligently and in conformity with the Issuer's obligations under each of the Program Agreements and with the FHPA and the Regulations, as applicable, and honestly, in good faith and in the best interest of the Issuer. The Manager must exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

In addition to the powers and duties delegated to OPG pursuant to the Management Agreement, OPG has also agreed to comply with its duties under the FHPA in its capacity as Financial Services Manager, including:

(a) preparing the Financing Plan to evaluate whether potential Funding Obligations should be incurred by Financing Entities for the purposes of acquiring Investment Interests in accordance with the FHPA or for the purposes of a Refinancing;

(b) determining the amounts of the Clean Energy Adjustment, inclusive of any True-up Amount;

(c) calculating the True-up Amount;

[47] Please confirm the source of the right to review electricity vendor records under the Regulations. If this refers to Section 10(4) of the General Regulation, the right is that of the Issuer or the FSM.

(d) notifying the OEB of the Clean Energy Adjustment, inclusive of any True-up Amount;

(e) administering the Investment Interests on behalf of Financing Entities in accordance with the Program Agreements;

(f) ensuring that Funding Obligations are incurred in a manner that is consistent with the Financing Plan; and

(g) establishing and charging fees for the services provided under the Management Agreement.

Subject to OEB approval and the Regulations, OPG is entitled to charge the Issuer a fee, comprised of a base fee and a variable fee, to earn a return and to recover costs and expenditures incurred by OPG on behalf of the Issuer or in relation to the establishment, management and administration of the Issuer and its Investment Interest. The priority of the Manager's entitlement to fees is subject to the payment priorities set forth in the Master Trust Indenture.

The Manager is not entitled to resign from its duties or terminate the Management Agreement as long as Funding Obligations remain outstanding. The Manager may be terminated by the Issuer Trustee, with the consent of the Indenture Trustee, or by the Indenture Trustee in accordance with the Master Trust Indenture. No termination of the Manager will be effective until a replacement manager that satisfies the Rating Agency Condition has been approved and has entered into a management agreement with the Issuer whereby the replacement manager agrees to assume, in substance, the obligations of the Manager under the Management Agreement. If the Manager ceases to perform, or inadequately performs, its management duties under the Management Agreement, it might be difficult to find a replacement for the Manager or a successor manager. See "*Risk Factors – Payments on the Senior Notes depend on the performance of OPG as Financial Services Manager and Manager of the Issuer.*"

The Manager shall provide to the Issuer Trustee an annual certificate confirming compliance with certain matters, including: (i) accurate maintenance of the books and records of the Issuer; (ii) all debt obligations and expenses due and payable by the Issuer have been paid to date; (iii) all required filings with tax and regulatory authorities have been completed to date; and (iv) all material statements and reports to be delivered by the Issuer under the Program Agreements have been delivered and all material statements and reports to be received by the Issuer under the Program Agreements have been received.

The Manager indemnifies the Issuer under the Management Agreement for any losses incurred by the Issuer as a result of the failure of the Manager to perform its obligations under the Management Agreement or any breach by the Manager of its representations and warranties under the Management Agreement or any other Program Agreement to which it is a party, except to the extent such losses result from the willful misconduct, bad faith or gross negligence of the Issuer. Notwithstanding the foregoing, the Manager is not obligated to indemnify the Issuer under the Management Agreement for any losses resulting from: (i) a breach or failure to perform by a third party under any Program Agreement, the FHPA or the Regulations (excluding any delegation by the Manager under the Management Agreement to a third party); (ii) changes in law, (iii) the validity or applicability of the Change of Law Protection Agreement; (iv) the collectability or sufficiency of the Clean Energy Adjustment or ~~carrying costs~~Carrying Costs to satisfy the Issuer Funding Obligations, including the Senior Notes; or (v) any liability of the Issuer incurred after termination of the Management Agreement unless attributable to the actions or omissions of the Manager prior to such termination or in respect of a representation, warranty or covenant that survives such termination.

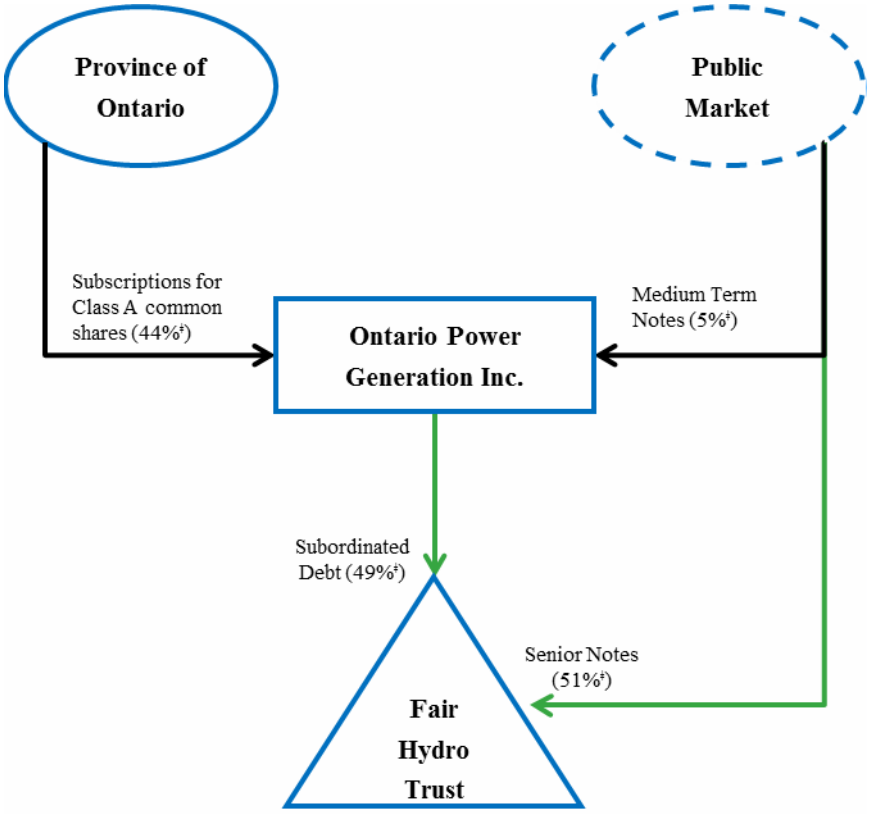
SUBORDINATED DEBT

Concurrent with every issuance of senior debt by the Issuer, including any Offering of Senior Notes, it is expected that OPG will subscribe for subordinated debt and junior subordinated debt of the Issuer in an amount of no more than 49% of all of the Issuer's Funding Obligations, approximately 44% of which is expected to be funded through equity investments in OPG by the Province of Ontario with the remaining approximate 5% being funded from OPG's available funds, including all or a portion of the proceeds of any offerings by OPG of medium term notes).

Under the Master Trust Indenture, the Issuer will be required at all times to ensure that: (i) the aggregate outstanding principal amount of all subordinated debt and junior subordinated debt be equal to not less than 35% of the aggregate outstanding principal amount of all of the Issuer's Funding Obligations; and (ii) the aggregate outstanding principal amount of all junior subordinated debt be equal to not less than 10% of the aggregate outstanding principal amount of all of the Issuer's Funding Obligations.

The Issuer is structured to be bankruptcy remote from OPG insofar as none of OPG, its subsidiaries or holders of its indebtedness will have any recourse whatsoever against the Issuer or its assets other than OPG's rights and remedies as a holder of subordinated debt of the Issuer in accordance with the provisions of that indebtedness. From an accounting perspective, however, the Issuer will be consolidated with OPG.

The following diagram illustrates the expected structure of OPG's investments in subordinated debt of the Issuer.



‡ OPG will acquire up to 49% of the Issuer's outstanding debt in the form of subordinated debt. Actual amounts may vary if OPG acquires less than 49% of the Issuer's outstanding debt.

SHORT TERM INDEBTEDNESS

On December 21, 2017, the Issuer entered into the following supplemental indentures under the Master Trust Indenture for the provision of an aggregate of approximately $1.56 billion in short term indebtedness (collectively, the "**Warehouse Facilities**"), of which a total of $1.179 billion is drawn as of the date hereof:

(i) a warehouse senior series 2017-1 supplemental indenture with, among others, Royal Bank of Canada, as administrative agent for certain commercial paper conduit purchasers and financial institutions named therein, for the provision of an aggregate maximum principal amount of $800,000,000 floating rate variable funding Senior Notes, Series 2017-1 ("**Senior Notes, Series 2017-1**"), of which $601,290,000 is drawn;

(ii) a warehouse subordinated series 2017-1 supplemental indenture with, among others, OPG for the provision of an aggregate maximum principal amount of $611,764,705.88 floating rate variable funding Subordinated Notes, Series 2017-1 ("**Subordinated Notes, Series 2017-1**"), of which $459,810,000 is drawn; and

(iii) a warehouse junior subordinated series 2017-1 supplemental indenture with, among others, OPG for the provision of an aggregate maximum principal amount of $156,862,745.10 floating rate variable funding Junior Subordinated Notes, Series 2017-1 ("**Junior Subordinated Notes, Series 2017-1**"), of which $117,900,000 is drawn.

The issuance of Senior Notes, Series 2017-1, Subordinated Notes, Series 2017-1 and Junior Subordinated Notes, Series 2017-1 under the Warehouse Facilities described above were used to acquire a $1.179 billion Investment Interest from the IESO on December 21, 2017.

THE TRANSFEROR AND SERVICER

The IESO has entered into a master transfer and servicing agreement with the Issuer dated as of December 21, 2017 (the "**Master Transfer and Servicing Agreement**") pursuant to which the IESO may periodically transfer specified portions of the Regulatory Asset to the Issuer. Additional information regarding the IESO, including its most recently published financial statements, is available at www.ieso.ca. Such information does not form part of this confidential shelf offering memorandum and neither the Issuer nor the Agents guarantee the accuracy of such information or has independently verified the accuracy or completeness of any such information or to determine if there has been any omission by the IESO to disclose any facts, information or events which may affect the significance or accuracy of any such financial statements or other information.

The following brief summary of certain provisions of the Master Transfer and Servicing Agreement does not purport to be comprehensive or definitive. All references in this confidential shelf offering memorandum to the Master Transfer and Servicing Agreement are qualified in their entirety by reference to the Master Transfer and Servicing Agreement and the detailed provisions thereof. The Master Transfer and Servicing Agreement may be reviewed at the principal office of the Issuer Trustee in Toronto, Ontario during normal business hours while any Senior Notes are outstanding.

Under the Master Transfer and Servicing Agreement, the IESO may offer, no more frequently than monthly, to transfer to the Issuer its right, title and interest in, to and under a specified portion of the Regulatory Asset. The Issuer has the right, but not the obligation, to accept the IESO's offer. The IESO is responsible for servicing the Issuer's Investment Interest in accordance with the Regulations and the Master Transfer and Servicing Agreement. Its responsibilities including, among others:

(a) establishing a segregated account to be used for the sole purpose of collecting the Clean Energy Adjustment in respect of the Issuer's Investment Interest and making commercially reasonable efforts to cause Electricity Vendors to do the same;

(b) making commercially reasonable efforts to cause each Electricity Vendor to establish procedures for the invoicing of amounts in respect of the Clean Energy Adjustment;

(c) responding to inquiries by Electricity Vendors with respect to the Clean Energy Adjustment and amounts payable in respect thereof;

(d) reviewing reports submitted to the IESO by Electricity Vendors regarding the collection of Clean Energy Adjustment amounts for material manifest discrepancies;

(e) contacting Electricity Vendors on the occurrence of certain events;

(f) holding Clean Energy Adjustment amounts collected in respect of the Issuer's Investment Interest in trust for the benefit of the Issuer and remitting such amounts to the Issuer on a monthly basis, subject to daily remittance being required in certain limited circumstances;

(g) together with the Issuer, settling a form of monthly servicer report to be provided to the Issuer; and

(h) forecasting the electricity consumption of Specified Consumers and providing such forecast information to the OEB and the Issuer.

While the IESO provides no guarantee that collections of the Clean Energy Adjustment from Electricity Vendors will equal amounts invoiced or that the Clean Energy Adjustment amounts will be sufficient to satisfy the Issuer's Funding Obligations, the IESO must follow standards, policies and procedures in performing its servicing duties that are customary for an electricity market operator and administrator that regularly performs settlement functions.

The IESO is required to work with the Manager to develop, on or before January 31, 2020, a written implementation plan identifying the actions to be taken by the IESO and the Issuer to facilitate the OEB, the Issuer, the IESO and Electricity Vendors being prepared to perform their obligations under the FHPA and the Regulations when setting, invoicing and collecting Clean Energy Adjustment amounts. The IESO and the Manager will deliver to the Issuer written progress reports on the status of the implementation plan on or before June 30, 2020, October 31, 2020 and January 31, 2021. The IESO is also required to work with the Issuer to settle a form of monthly servicer report, which will be provided to the Manager on or before the 20th business day after the end of each month in which Clean Energy Adjustment amounts are collected by Electricity Vendors from Specified Consumers, and which report is expected to contain available information regarding the Clean Energy Adjustment amounts billed, collected and remitted by Electricity Vendors, actual electricity consumption compared to forecast electricity consumption and such other information as may be agreed to by the IESO.

Generally, all servicing duties provided by the IESO to the Issuer are provided at no cost to the Issuer.[48] However, the Issuer will reimburse the IESO for its direct costs relating to the performance by the IESO of its duties and obligations under the Master Transfer and Servicing Agreement that are not otherwise recovered by the IESO under the *Electricity Act, 1998* (Ontario), excluding any costs relating to the performance of the IESO's duties and obligations under the FHPA or the Regulations, including its obligation to pay the Issuer's ~~carrying costs~~Carrying Costs.

During the Moratorium Period and extending to July 31, 2021, the IESO, which is rated A(high) by DBRS and Aa2 by Moody's is required under the Regulations to pay and remit to the Issuer amounts charged to the IESO by the Issuer in respect of its ~~carrying costs~~Carrying Costs. Under the Regulations ~~"carrying costs"~~, Carrying Costs include all funding costs, such as interest on the Senior Notes, and other expenses of the Issuer, other than repayment of principal on any debt obligations of the Issuer, including repayment of principal on the Senior Notes.[49] Pursuant to the Master Transfer and Servicing Agreement, on or before the fourth business day of each calendar month, the Issuer will submit a carrying costs statement to the IESO certifying the amount of ~~carrying costs~~Carrying Costs estimated to be incurred by the Issuer in the following month. On or before the 14th business day following receipt of the Issuer's carry costs statement, the IESO is required to deliver the amount specified therein to the Issuer. The IESO has a $2 billion unsecured credit facility provided by the Ontario Financing Authority, expiring ■, 20■, which ~~can~~is permitted to be used to pay the Issuer's ~~carrying costs~~Carrying Costs.

As security for the performance of its obligation to pay the Issuer's ~~carrying costs~~Carrying Costs, the IESO has granted the Issuer a first-priority security interest in all of its accounts receivable, which includes the amounts receivable by the IESO with respect to the global adjustment charge. The amounts paid by the IESO to fund these ~~carrying costs~~Carrying Costs will be recorded by the IESO in a variance account and form part of the Regulatory Asset which is expected to be offered by the IESO for transfer to the Issuer in a subsequent period and, upon completion of such transfer, shall become part of the Issuer's Investment Interest pursuant to the Regulations.

[48] **Note:** Please confirm.

[49] **Note:** Consider a description of "carrying costs" that conforms to the definition set out in Section 9.1(3) of the General Regulation. Also note that the Glossary defines "Carrying Costs" as having the meaning ascribed to the term in the Regulations.

As security for any failure of Non-Investment Grade Rated Electricity Vendors to remit Clean Energy Adjustment amounts collected under the FHPA, the IESO is required, pursuant to the Master Transfer and Servicing Agreement, to provide to the Issuer on or prior to the first day of the first billing period when the Clean Energy Adjustment is being invoiced to Specified Consumers, a letter of credit from a provider that satisfies the Rating Agency Condition or a performance guarantee or such other form of security that is acceptable to the Issuer and that satisfies the Rating Agency Condition. A "**Non-Investment Grade Rated Electricity Vendor**" means any Electricity Vendor that does not have a rating of: (i) "Baa3" or higher by Moody's, unless otherwise agreed to by Moody's; and (ii) "BBB(low)" or higher by DBRS, unless otherwise agreed to by DBRS.

The amount of security required from the IESO will be calculated on an annual basis and will be equal to the amount determined by the following formula:

((A / B) x C x D / 365 x E)

where A, B, C, D and E are as follows:

A = for the most recently completed twelve-month period, the aggregate amount of energy consumed by Specified Consumers of all Non-Investment Grade Rated Electricity Vendors.

B = for the same twelve-month period used for A, the aggregate amount of energy consumed by all Specified Consumers.

C = for the most current twelve-month forecast period available, the Clean Energy Adjustment amounts estimated to be payable by all Specified Consumers.

D = 45, representing the estimated number of days that total Clean Energy Adjustment amounts are expected to be held by Electricity Vendors.

E = 0.50 or another value as mutually agreed to in writing by the Issuer and the IESO and that satisfies the Rating Agency Condition.

The Master Transfer and Servicing Agreement sets out specific servicer defaults. Upon the occurrence of a servicer default, the Issuer will be entitled to appoint a replacement servicer that will perform the IESO's duties as servicer under the Master Transfer and Servicing Agreement. Any replacement servicer must be permitted under the FHPA to perform the duties of servicer, the Rating Agency Condition must be satisfied and the replacement servicer must enter into a master transfer and servicing agreement with the Issuer having substantially the same terms as the Master Transfer and Servicing Agreement.

The IESO has agreed to indemnify the Issuer for any losses incurred by the Issuer as a result of the failure of the IESO to perform its obligations under the Master Transfer and Servicing Agreement or any other Program Agreement to which it is a party or the breach by the IESO of any of its representations or warranties under the Master Transfer and Servicing Agreement or any other Program Agreement to which the IESO is a party, except to the extent such losses result from the willful misconduct, bad faith or gross negligence of the Issuer. Notwithstanding the foregoing, the IESO is not obligated to indemnify the Issuer under the Master Transfer and Servicing Agreement for any losses resulting from: (i) a breach or failure to perform by a third party under any Program Agreement, the FHPA or the Regulations (excluding any delegation by the IESO under the Master Transfer and Servicing Agreement to a third party); (ii) changes in law, (iii) the collectability or sufficiency of the Clean Energy Adjustment to satisfy the Issuer's Funding Obligations, including the Senior Notes; or (iv) any liability of the Issuer incurred after termination of the Master Transfer and Servicing Agreement unless attributable to the actions or omissions of the IESO prior to such termination or in respect of a representation, warranty or covenant that survives such termination.

CREDIT RATINGS

Credit ratings are intended to provide investors with an independent measure of the credit quality of securities and are indicators of the likelihood of the payment capacity and willingness of an issuer to meet its financial commitment on an obligation in accordance with the terms of such obligation. The credit ratings accorded to the Senior Notes are not recommendations to purchase, hold or sell such securities inasmuch as such ratings are not a comment upon the market price of the securities or their suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

The Term Sheet for each Offering will identify the rating of the applicable Senior Notes at the time of such Offering.

RATING AGENCY CONDITION

The Program Agreements provide that certain actions are subject to the "**Rating Agency Condition**". In each such case, satisfaction of the Rating Agency Condition requires: (a) that the Issuer has delivered written notice of the proposed action to the Rating Agencies at least ten business days prior to the effective date of such action; and (b) that the Rating Agencies shall have informed the Issuer prior to the effective date of such action that such action will not result in the reduction or withdrawal of the rating in effect with respect to the Notes immediately before the taking of such action. If the Rating Agency Condition is to be satisfied without specifying one or more specific Series or Tranches of Notes, the Rating Agency Condition must be satisfied with respect to all outstanding Series or Tranches of Notes.

CAPITAL MARKETS PLATFORM

The Financial Services Manager has developed a Financing Plan for the Issuer which encompasses an ongoing program which allows for the issuance of a variety of short and long term debt, as well as interest rate and currency swaps and other hedging instruments.

The Master Trust Indenture establishes common security and a set of common covenants given by the Issuer for the benefit of all of its creditors. Notes are issued under Supplemental Indentures and in certain cases, Terms Documents. Borrowings are incurred pursuant to liquidity agreements or loan agreements. Notes and Borrowings incurred by the Issuer are Issuer Funding Obligations. Each Issuer Funding Obligation will be part of a Class and Series of Issuer Funding Obligations, and may include one or more Tranches. A Class designation determines the relative seniority for receipt of cash flows. See *"— Subordination Provisions"*, "*— Payment Waterfalls Prior to Acceleration*" and "*— Acceleration and Remedies — Payment Waterfall Upon Acceleration*". Tranches of Issuer Funding Obligations may differ from each other as to the interest rate, maturity and the timing, sequential order and amount of payments of principal or interest, or both.

The following summary of the principal provisions contained in the Master Trust Indenture does not purport to be comprehensive or definitive. This overview summarizes certain provisions of the Master Trust Indenture and omits descriptions of many provisions which may be considered to be of a customary nature. All references in this confidential shelf offering memorandum to the Master Trust Indenture are qualified in their entirety by reference to the Master Trust Indenture and the detailed provisions thereof. The Master Trust Indenture may be reviewed at the principal office of the Issuer Trustee in Toronto, Ontario during normal business hours while any Notes are outstanding.

Indenture Trustee

BNY Trust Company of Canada, a trust company governed by the laws of Canada, is the Indenture Trustee under the Master Trust Indenture.

Under the terms of the Master Trust Indenture, the Issuer has agreed to pay the Indenture Trustee reasonable compensation for the performance of its duties under the Master Trust Indenture. The Indenture Trustee

has agreed to perform only those duties expressly set forth in the Master Trust Indenture. Many of the duties of the Indenture Trustee are described throughout this confidential shelf offering memorandum. Under the terms of the Master Trust Indenture, the Indenture Trustee's limited responsibilities include the following:

- to authenticate, deliver, cancel and otherwise administer the Notes;
- to serve as the registrar in respect of the Notes;
- to establish and maintain all Issuer Accounts and to maintain accurate records of activity in those accounts;
- to serve as the Paying Agent and distribute and transfer funds at the direction of the Manager in accordance with the terms of the Master Trust Indenture;
- to invest funds in the Issuer Accounts at the direction of the Manager (or its agent);
- to deliver to Specified Creditors notice of any Default, Event of Default, Acceleration Event, Protection Event or Servicer Default of which it has received notice, as required under the Master Trust Indenture; and
- to perform certain other administrative functions identified in the Master Trust Indenture.

In the exercise of its duties, the Indenture Trustee will use the same degree of care and skill as a reasonably prudent person would use in comparable circumstances. When all Issuer Funding Obligations have been satisfied and discharged (see "*— Satisfaction and Discharge*"), the Indenture Trustee will no longer act as Indenture Trustee and will have no fiduciary responsibilities to any remaining Specified Creditors and will act only as security agent for those remaining Specified Creditors. The Indenture Trustee is not liable for any errors of judgment as long as the errors are made in good faith and the Indenture Trustee was not negligent. Furthermore, the Indenture Trustee will not be liable for any action taken or not taken by it in good faith if directed to do so by Extraordinary Resolution. The Indenture Trustee is not required to expend or risk its own funds, or incur any financial liability in the exercise of its duties under the Master Trust Indenture and it will not be obliged to exercise any of its rights under the Master Trust Indenture at the request of any Controlling Class Creditor unless such Controlling Class Creditor has provided it with security or an indemnity reasonably satisfactory to it.

In addition to the Indenture Trustee's compensation and the reimbursement of the Indenture Trustee's expenses in connection with the Master Trust Indenture, the Issuer will indemnify the Indenture Trustee for any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the administration of the trusts under the Master Trust Indenture. The payment of all such amounts will be subject to the payment waterfalls set out in the Master Trust Indenture and in certain instances, such amounts will be higher in priority than payments to Noteholders. See "*— Payment Waterfalls Prior to Acceleration — Collection Account*", "*— Payment Waterfalls Prior to Acceleration — Protection Account*" and "*— Acceleration and Remedies — Payment Waterfall Upon Acceleration*".

The Indenture Trustee may resign at any time by giving written notice to the Issuer and it may be removed for any reason by Ordinary Resolution of Controlling Class Creditors. The Indenture Trustee must resign if a material conflict of interest arises in its role as an Indenture Trustee under the Master Trust Indenture and such conflict of interest is not eliminated within 90 days after the Indenture Trustee becomes aware of such material conflict of interest. The Issuer may remove, or any Controlling Class Creditor who has been a *bona fide* Controlling Class Creditor for at least six months may, on behalf of itself and all other Debtholders, petition any court of competent jurisdiction for the removal of the Indenture Trustee if (i) the Indenture Trustee is no longer eligible to act as trustee under the Master Trust Indenture (and any Supplemental Indenture) and fails to resign after it has received a written request to do so by the Issuer or by any Controlling Class Creditor, (ii) the Indenture Trustee becomes incapable of acting, or (iii) the Indenture Trustee becomes subject to any bankruptcy or insolvency related events. In all such circumstances, the Issuer must appoint a successor Indenture Trustee. Any resignation or removal of the Indenture Trustee and appointment of a successor Indenture Trustee will not become effective until the successor

Indenture Trustee accepts the appointment. If an instrument of acceptance by a successor Indenture Trustee has not been delivered to the Indenture Trustee within 30 days of giving notice of resignation or removal, the Indenture Trustee may petition a court of competent jurisdiction to appoint a successor Indenture Trustee.

Any successor Indenture Trustee will execute and deliver to the Issuer and its predecessor Indenture Trustee an instrument accepting such appointment. The successor Indenture Trustee must be a bank, a trust company or a corporation organized and doing business under the laws of Canada or of any province or territory thereof, authorized under such laws to carry on a trust business in each of the provinces and territories of Canada. The Issuer may not, nor may any person directly or indirectly controlling, controlled by, or under common control with the Issuer, serve as Indenture Trustee.

The Indenture Trustee may become the owner or pledgee of Notes and may otherwise deal with the Issuer with the same rights it would have if it were not the Indenture Trustee (subject to its obligation to resign if there is a material conflict).

Conditions Precedent to Incurrence of Obligations Secured

There is no limit on the aggregate amount of indebtedness or other obligations which may be secured under the Master Trust Indenture. However, the Issuer will not be permitted to incur any Issuer Funding Obligations or other obligations unless the Issuer meets the conditions described below under *"— Issuer Funding Obligations"* and *"— Other Obligations Secured"*.

Issuer Funding Obligations

The Issuer may not incur any new Issuer Funding Obligations, or renew or extend any existing Issuer Funding Obligations (in each case, other than Derivative Funding Obligations), unless the conditions described below are met on or prior to the date that the Issuer enters into a definitive agreement in respect of such Issuer Funding Obligations:

(a) the Issuer delivers to the Indenture Trustee and each Rating Agency notice of such incurrence;

(b) the Issuer delivers to the Indenture Trustee and each Rating Agency a certificate to the effect that:

(i) the Issuer reasonably believes that such incurrence will not cause an Adverse Effect; an "**Adverse Effect**" means that such action will at the time of its occurrence (a) result in the occurrence of an Event of Default or any event which with the giving of notice or passage of time, or both, would become an Event of Default, (b) adversely affect the amount or timing of any payment to be made to any Debtholder or Derivative Counterparty pursuant to the Master Trust Indenture or any Program Agreement, (c) materially adversely affect the amount or timing of payments to be made to the Specified Creditors (other than Debtholders and Derivative Counterparties) pursuant to this Indenture or any Program Agreement, or (d) adversely affect the security interest and the rights and remedies of the Indenture Trustee in respect thereof;

(ii) all instruments furnished to the Indenture Trustee conform to the requirements of the Master Trust Indenture and constitute sufficient authority under the Master Trust Indenture for the Indenture Trustee to (A) in the case of an issuance of Notes only, authenticate and deliver such Notes, and (B) in the case of all other Issuer Funding Obligations, execute and deliver the applicable Funding Obligation Agreement;

(iii) in the case of an issuance of Notes only, the form and terms of the Notes have been established in conformity with the provisions of the Master Trust Indenture;

(iv) the incurrence of such Issuer Funding Obligation is consistent in all material respects with the Financing Plan; see *"Ontario Fair Hydro Plan — Fair Allocation Amount and Financing Plan"*;

(v) the conditions set out in clauses (c), (d), (g) and (k) below are met; and

(vi) such other matters as the Indenture Trustee may reasonably request;

(c) the representations and warranties of the Issuer in the Master Trust Indenture are true and correct in all material respects;

(d) the Rating Agency Condition is satisfied with respect to all outstanding Series or Tranches of Issuer Funding Obligations;

(e) the Indenture Trustee receives either:

(i) a certified copy of the instrument whereby the Province of Ontario designated in writing that such Issuer Funding Obligation is an Approved Obligation as contemplated by the Change of Law Protection Agreement; or

(ii) both (A) an Adherence Compliance Certificate addressed to the Indenture Trustee with respect to such Issuer Funding Obligation delivered in accordance with the Change of Law Protection Agreement; and (B) a certificate signed by the Manager certifying that the Province of Ontario has not provided a Suspension Notice;

(f) the Issuer delivers to the Indenture Trustee copies of the applicable Funding Obligation Agreement, including in the case of Notes, a Supplemental Indenture relating to the applicable Series or Tranche of Notes and, if applicable, a Terms Document relating to the applicable Tranche of Notes;

(g) in the case of Senior Funding Obligations only, the Issuer has Subordinated Funding Obligations and Junior Subordinated Funding Obligations in an aggregate outstanding principal amount equal to not less than 35% of the aggregate outstanding principal amount of the aggregate Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations (after giving effect to such incurrence) and in the case of Subordinated Funding Obligations only, the Issuer has Junior Subordinated Funding Obligations in an aggregate outstanding principal amount equal to not less than 10% of the aggregate outstanding principal amount of the aggregate Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations (after giving effect to such incurrence);

(h) except in the case of Notes, the Issuer delivers to the Indenture Trustee an updated list of the Specified Creditors;

(i) each Debtholder in respect of such Issuer Funding Obligation (or an authorized agent on their behalf) has made the acknowledgements and agreements described below under "— *Acknowledgements of Specified Creditors*";

(j) the Change of Law Protection Agreement is in full force and effect against the Province of Ontario or has been replaced with a new agreement that is in form and substance satisfactory to Controlling Class Creditors pursuant to an Ordinary Resolution;

(k) the conditions precedent, if any, specified in the applicable Funding Obligation Agreement are satisfied; and

(l) in the case of an issuance of Notes only:

(i) the Indenture Trustee receives a certificate for the certification and delivery of the Notes and specifying the particulars relating to such Notes;

(ii) in the case of Notes described in section 163(f)(2)(A) of the United States Internal Revenue Code~~,~~ of 1986, if such Notes are not in registered form (including by reason of a book entry system described in section 163(f) of the United States Internal Revenue Code of 1986), then such Notes are described in section 4701(b)(1)(B) of the United States Internal Revenue Code of 1986 and such section will apply to such Notes; and

(iii) in the case of foreign currency Notes, the Issuer appoints one or more Paying Agents in the appropriate countries, if requested by the Indenture Trustee.

Periodic drawdowns under existing Funding Obligation Agreements will not constitute a new incurrence of Issuer Funding Obligations. However, an increase in the aggregate commitment under an existing Funding Obligation Agreement or the issuance of additional Notes of an outstanding Series or Tranche of Notes will constitute a new incurrence of Issuer Funding Obligations.

The Indenture Trustee is not required to and, except as otherwise provided in a Funding Obligation Agreement, the Issuer is not required to, provide prior notice to or obtain the consent of any Debtholder or any other Specified Creditor to issue any Issuer Funding Obligations.

Other Obligations Secured

The Issuer may incur other obligations (including Derivative Funding Obligations) so long as:

(a) the Issuer delivers to the Indenture Trustee a copy of the agreement giving rise to such obligations;

(b) the Issuer delivers to the Indenture Trustee an updated list of the Specified Creditors;

(c) the counterparty to the agreement giving rise to such obligations makes the acknowledgements and agreements described below under "— *Acknowledgements of Specified Creditors*";

(d) if the obligations are Certified Primary Obligations, the Indenture Trustee receives either:

(i) a certified copy of the instrument whereby the Province of Ontario designated in writing that such obligation is an Approved Obligation as contemplated by the Change of Law Protection Agreement; or

(ii) both (A) an Adherence Compliance Certificate addressed to the Indenture Trustee with respect to such obligation delivered in accordance with the Change of Law Protection Agreement; and (B) a certificate signed by the Manager certifying that the Province of Ontario has not provided a Suspension Notice;

provided that, in respect of derivative agreements, the Issuer will provide notice to each Rating Agency of the identity of the Derivative Counterparty and the terms of any applicable master agreement and schedule.

Derivative Agreements

The Issuer may, from time to time, enter into one or more derivative agreements, which would consist of a currency swap or interest rate swap, a cap (obligating a Derivative Counterparty to make payments if a reference rate is greater than a specified rate), a floor (obligating a Derivative Counterparty to make payments if a reference rate is less than a specified rate), or a collar (obligating a Derivative Counterparty to make payments if a reference rate is greater than a specified rate and entitling the Derivative Counterparty to receive payments if the same reference rate is less than a lower specified rate), with various counterparties. In general, the Issuer will receive payments from the

Derivative Counterparty in exchange for the Issuer's payments to them, to the extent required under the derivative agreements. Payments received by the Issuer will constitute Available Collections.

Acknowledgements of Specified Creditors

Each Specified Creditor must acknowledge and agree in favour of the Indenture Trustee that it is a Specified Creditor under the Master Trust Indenture and that its entitlements as a Specified Creditor are subject to the provisions applicable to Specified Creditors under the Master Trust Indenture including, without limitation, those described under "*— Indenture Trustee*", "*— Payment Waterfalls Prior to Acceleration*", "*— Debtholder Approvals and Meetings — Access to Debtholder Lists*", "*— Acceleration and Remedies — Payment Waterfall Upon Acceleration*", "*— Acceleration and Remedies — Rights of Specified Creditors*", "*— Acceleration and Remedies — Limited Recourse*" and "*— Acceleration and Remedies — No Petition*".

Subordination Provisions

Under the Master Trust Indenture, the Issuer can issue the following classes of Issuer Funding Obligations: "Senior Funding Obligations", "Subordinated Funding Obligations" or "Junior Subordinated Funding Obligations" (each, a "**Class**"). The payment of interest on Subordinated Funding Obligations shall be subordinate and rank junior to the payment of interest on Senior Funding Obligations and Derivative Funding Obligations. The payment of interest on Junior Subordinated Funding Obligations shall be subordinate and rank junior to the payment of interest on Senior Funding Obligations, Derivative Funding Obligations and Subordinated Funding Obligations. The payment of principal on Subordinated Funding Obligations shall be subordinate and rank junior to the payment of principal on Senior Funding Obligations and Derivative Funding Obligations. The payment of principal on Junior Subordinated Funding Obligations shall be subordinate and rank junior to the payment of principal on Senior Funding Obligations, Derivative Funding Obligations and Subordinated Funding Obligations. In each case, the subordinations are the to the extent and in the manner set forth in the Master Trust Indenture and described under "*— Payment Waterfalls Prior to Acceleration*" and "*— Acceleration and Remedies — Payment Waterfall Upon Acceleration*".

Subject to the applicable payment waterfall, (i) all Senior Funding Obligations will in all respects be equally and ratably entitled to the benefits of the Master Trust Indenture with respect to such Series or Tranche without preference, priority or distinction on account, (ii) all Subordinated Funding Obligations will in all respects be equally and ratably entitled to the benefits of the Master Trust Indenture with respect to such Series or Tranche without preference, priority or distinction and (iii) all Junior Subordinated Funding Obligations of each Series or Tranche will in all respects be equally and ratably entitled to the benefits of the Master Trust Indenture with respect to such Series or Tranche without preference, priority or distinction, in each case, except as set out in a related Funding Obligation Agreement.

Security

To secure the payment of all Obligations Secured, including principal of and interest on the Issuer Funding Obligations, the Issuer has granted to the Indenture Trustee a security interest in all of its right, title and interest (whether now owned or hereafter acquired or arising) in and to the following property: (i) the Investment Interest acquired by the Issuer; (ii) each Issuer Account (including all sub-accounts); (iii) all Eligible Investments and all investment property, money and other property held in any Issuer Accounts (including all sub-accounts); (iv) all rights, benefits and powers of the Issuer under any Program Agreement; (v) all rights, benefits and powers of the Issuer under the FHPA; (vi) all present and future claims, demands, causes of and choses in action in respect of any of the foregoing and all interest, principal, payments and distributions of any nature or type on any of the foregoing; (vii) all accounts, general intangibles, chattel paper, instruments, documents, goods, money, investment property, deposit accounts, letters of credit and letter-of-credit rights consisting of, arising from, or relating to any of the foregoing; (viii) all debts, accounts, claims, monies and choses in action due or to become due with respect to all of the foregoing and also all securities, bills, notes, evidences of deposits of money, and other documents now held or owned or which may be hereafter taken, held or owned by the Issuer, or anyone on behalf of the Issuer, and all renewals thereof, accretions thereto, substitutions therefor and all interest, income and revenue arising therefrom or

by virtue thereof; (ix) all amounts received with respect to all of the foregoing; and (x) all proceeds of the foregoing (collectively, the "**Collateral**").[50]

Issuer Accounts

Pursuant to the Master Trust Indenture, the Issuer will establish various accounts ("**Issuer Accounts**") – Program Accounts, Series Accounts and Securities Accounts. Each Issuer Account will be under the sole dominion and exclusive control of the Indenture Trustee. Each Program Account and each Series Account will be established as a segregated trust account with an Eligible Institution (an "**Eligible Deposit Account**"). If the institution holding any Program Account or Series Account ceases to be an Eligible Institution, the Issuer will establish a new Program Account or Series Account that is an Eligible Deposit Account and transfer any funds or other property from such existing Program Account or Series Account to such new Program Account or Series Account. Each Securities Account will be established as a segregated securities trust account with an affiliate of an Eligible Institution, which affiliate is licensed to maintain securities accounts (an "**Eligible Securities Account**"). If the institution holding any Securities Account ceases to be an affiliate of an Eligible Institution, the Issuer will establish a new Securities Account that is an Eligible Securities Account and transfer any funds or other property from such existing Securities Account to such new Securities Account. The Indenture Trustee has no obligation to reconcile any Issuer Account against another Issuer Accounts or against the Program Agreements.

Program Accounts

Collection Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Collection Account**"). The Indenture Trustee will hold the Collection Account for the benefit of the Indenture Trustee and the Specified Creditors. All Available Collections received by the Issuer will be credited to the Collection Account. "**Available Collections**" means: (i) all amounts received by the Servicer in respect of the Clean Energy Adjustment from Specified Consumers, (ii) IESO Carrying Cost payments (other than the IESO Cash Reserve Deposit Amount); and (iii) amounts received by the Issuer pursuant to derivative agreements. See *"Ontario Fair Hydro Plan"* and *"The Transferor and Servicer"*.

Interest Accumulation Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Interest Accumulation Account**"). The Indenture Trustee will hold the Interest Accumulation Account for the benefit of the Indenture Trustee and the Specified Creditors. The Interest Accumulation Account has been established for the purposes of pre-funding, collateralizing, over-collateralizing or establishing reserves for the payment of interest in respect of all Issuer Funding Obligations.

Principal Accumulation Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Principal Accumulation Account**"). The Indenture Trustee will hold the Principal Accumulation Account for the benefit of the Indenture Trustee and the Specified Creditors. The Principal Accumulation Account has ~~an~~ been established for the purpose of accumulating funds to be used to make repayments in respect of all Issuer Funding Obligations.

IESO Cash Reserve Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**IESO Cash Reserve Account**"). The Indenture Trustee will hold the IESO Cash Reserve Account for the benefit of the Indenture Trustee and the Specified Creditors. The Issuer will deposit the

[50] **Note:** Consider also including the floating charge in all of the property, assets and undertaking now owned or hereafter acquired by the Issuer in the definition of Collateral. (s. 2.01(b) of the Master Trust Indenture).

IESO Cash Reserve Deposit Amount in the IESO Cash Reserve Account on the earlier of (x) April 30, 2021, and (y) the receipt by the Issuer of the IESO Cash Reserve Deposit Amount from the IESO.

Program Cash Reserve Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Program Cash Reserve Account**"). The Indenture Trustee will hold the Program Cash Reserve Account for the benefit of the Indenture Trustee and the Specified Creditors. The Issuer will deposit the Program Cash Reserve Required Amount in the Program Cash Reserve Account during the Reference Period commencing May 1, 2021 pursuant to the application of amounts available therefor under the Collection Account Waterfall.

Refinancing Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Refinancing Account**"). The Indenture Trustee will hold the Refinancing Account for the benefit of the Indenture Trustee and the Specified Creditors. All proceeds arising from Notes and Borrowings related to Refinancings will be credited to the Refinancing Account.

Protection Account

Pursuant to the Master Trust Indenture, before the making of any demand for payment under the Change of Law Protection Agreement, the Issuer will establish an Eligible Deposit Account in the name of the Indenture Trustee (the "**Protection Account**"). The Indenture Trustee will hold the ~~Collection~~Protection Account for the benefit of the Indenture Trustee and the Specified Creditors. ~~All~~On the occurrence of a Protection Event and a written payment demand from the Indenture Trustee to the Province of Ontario, all payments received from the Province of Ontario ~~pursuant to~~under the Change of Law Protection Agreement will be credited to the Protection Account.

Series Accounts

Series Capital Reserve Account

In connection with the creation of a Series of Issuer Funding Obligations, the Issuer may establish an Eligible Deposit Account in the name of the Indenture Trustee (a "**Series Capital Reserve Account**"). The Indenture Trustee will hold each Series Capital Reserve Account for the benefit of the Indenture Trustee and the applicable Debtholders or Derivative Counterparties. A Series Capital Reserve Account may be established for the sole purpose of allowing the Issuer to accumulate funds to be used to make repayments in respect of a Series of Issuer Funding Obligations. Details of any period of accumulation and the amounts to be accumulated will be specified in the applicable Funding Obligation Agreement.

Series Finance Reserve Account

In connection with the creation of a Series of Issuer Funding Obligations, the Issuer may establish an Eligible Deposit Account in the name of the Indenture Trustee (a "**Series Finance Reserve Account**"). The Series Finance Reserve Account will be under the sole dominion and exclusive control of the Indenture Trustee. The Indenture Trustee will hold each Series Finance Reserve Account for the benefit of the applicable Debtholders or Derivative Counterparties. A Series Finance Reserve Account may be established for the sole purpose of allowing the Issuer to reserve funds to pay finance charges for a Series of Issuer Funding Obligations. Details of any reserve requirements will be specified in the applicable Funding Obligation Agreement.

Securities Accounts

In connection with the establishment of any Program Account (other than the Protection Account) or Series Account, the Issuer may establish an Eligible Securities Account in the name of the Indenture Trustee (a "**Securities**

Account"). The Indenture Trustee will hold each Securities Account for the benefit of the applicable Specified Creditors. A Securities Account may be established for the purpose of allowing the Issuer to invest funds held in any Program Account or Series Account in Eligible Investments. Each Securities Account may relate to only one Program Account or Series Account. Funds in each Program Account and Series Account will be invested in Eligible Investments at the direction of the Manager using the associated Securities Account. Additionally, neither the Indenture Trustee nor the Manager will ~~not~~ be responsible for any losses incurred in the investment of any funds in any Eligible Investments and any insufficiency in an Issuer Account resulting from any loss on Eligible Investments.

Credit Enhancement Agreements and Liquidity Agreements

A Series or Tranche of Issuer Funding Obligations may have the benefit of one or more additional forms of credit enhancement—referred to herein as credit enhancement agreements—such as a letter of credit, surety bond or loan facility. In addition, a Series or Tranche of Notes may have the benefit of one or more forms of liquidity agreements—referred to herein as liquidity agreements—such as a liquidity facility. Whether a Series or Tranche of Issuer Funding Obligations has the benefit of a credit enhancement agreement or a liquidity agreement, including how any payments made pursuant to such agreement will be applied, will be set out in the applicable Funding Obligation Agreement and the related Term Sheet (where applicable).

Payment Waterfalls Prior to Acceleration

All amounts received by the Issuer and all amounts to be paid by the Issuer from a Program Account or Series Account will be made in accordance with the payment waterfalls described below. All payments or transfers described in the sections below will be made by the Paying Agent based on payment instructions provided by the Manager. See "*— Covenants of the Issuer — Payment Instructions*".

Collection Account

Subject to the paragraph below, on each Payment Date (after giving effect to the distributions described in the first paragraph under "*— IESO Cash Reserve Account*"), all amounts on deposit in the Collection Account will be distributed in the following order of priority (*pro rata* in proportion to the claims represented by each paragraph below except as otherwise noted) (the "**Collection Account Waterfall**"):

(a) first, to the payment or remittance of taxes for which a governmental authority is given priority over the Specified Creditors under the laws of the applicable jurisdiction;

(b) second, to pay fees, expenses and reimbursement amounts owing to the Issuer Trustee and the Indenture Trustee up to a maximum aggregate amount equal to (i) $150,000, multiplied by (ii) the number of Series of Senior Funding Obligations outstanding on such Payment Date, divided by (iii) 12;

(c) third, *pari passu* (i) to transfer to the Interest Accumulation Account, the Interest Accrual Amount (Senior) for such Payment Date, and (ii) to pay all Derivative Funding Obligations (other than termination payments);

(d) fourth, to transfer to the Interest Accumulation Account, the Interest Accrual Amount (Subordinated) for such Payment Date;

(e) fifth, to transfer to the Interest Accumulation Account, the Interest Accrual Amount (Junior Subordinated) for such Payment Date;

(f) sixth, to transfer to the Principal Accumulation Account, the Principal Accumulation Amount (Warehouse) for such Payment Date;

(g) seventh, *pari passu* (i) to transfer to the Principal Accumulation Account, the Principal Accumulation Amount (Senior) for such Payment Date, and (ii) to pay termination payments

owing to Derivative Counterparties where the Derivative Counterparty is not the defaulting party or the sole affected party;

(h) eighth, to pay all fees and other amounts (other than principal or interest) owing in respect of Senior Funding Obligations;

(i) ninth, to pay fees, expenses and reimbursement amounts owing to the Manager;

(j) tenth, to transfer to the Principal Accumulation Account, the Principal Accumulation Amount (Subordinated) for such Payment Date;

(k) eleventh, to pay all fees and other amounts (other than principal or interest) owing in respect of Subordinated Funding Obligations;

(l) twelfth, to transfer to the Principal Accumulation Account, the Principal Accumulation Amount (Junior Subordinated) for such Payment Date;

(m) thirteenth, to transfer to the Program Cash Reserve Account, the amount, if any, by which the amount on deposit in the Program Cash Reserve Account is less than the Program Cash Reserve Required Amount;

(n) fourteenth, to transfer to any Series Account (other than any Series Account related solely to Subordinated Funding Obligations or Junior Subordinated Funding Obligations), the amount required to replenish such Series Account as required by any related Funding Obligation Agreement;

(o) fifteenth, to transfer to any Series Account related solely to Subordinated Funding Obligations, the amount required to replenish such Series Account as required by any related Funding Obligation Agreement;

(p) sixteenth, to pay all fees and other amounts (other than principal or interest) owing in respect of Junior Subordinated Funding Obligations;

(q) seventeenth, to transfer to any Series Account related solely to Junior Subordinated Funding Obligations, the amount required to replenish such Series Account as required by any related Funding Obligation Agreement;

(r) eighteenth, to pay termination payments owing to Derivative Counterparties where the Derivative Counterparty is the defaulting party or the sole affected party;

(s) nineteenth, to pay the amount required pursuant to the Declaration of Trust to the Issuer Trustee for the account of the beneficiaries of the Issuer;

(t) twentieth, to pay all indemnity amounts owing to the Manager;

(u) twenty-first, *pari passu* (i) to pay fees, expenses, reimbursement and indemnity amounts owing to the Issuer Trustee and the Indenture Trustee not previously paid pursuant to paragraph (b), (ii) to the payment or remittance of taxes not previously paid pursuant to paragraph (a), and (iii) to pay all amounts owing to Specified Creditors not specifically referred to above; in each case, including, for each referenced party, any amounts payable to their respective affiliates under the terms of any relevant indemnity; and

(v) twenty-second, any amounts remaining (i) to be held in the Collection Account for distribution in the above order of priority on the next Payment Date; or (ii) after all Issuer Funding Obligations

have been paid in full and discharged, and all other amounts have been paid in full, to pay to the Issuer.

Notwithstanding the foregoing, (i) the transfer of any amounts deposited by the IESO into the Collection Account on account of the IESO Cash Reserve Deposit Amount to the IESO Cash Reserve Account, and (ii) the transfer of any amounts deposited in the Collection Account on account of one-time transaction costs and expenses in connection with the incurrence of Issuer Funding Obligations on or within three business days of the closing date of such transaction, will, in each case, be made without reserving for or paying amounts which are senior in priority to such obligation under the Collection Account Waterfall.

Interest Accumulation Account

On each Interest Payment Date, the Paying Agent will distribute all amounts on deposit in the Interest Accumulation Account in the following order of priority (*pro rata* in proportion to the claims represented by each paragraph below except as otherwise noted):

(a) first, to pay all interest that is due and payable on Senior Funding Obligations on such Interest Payment Date;

(b) second, to pay all interest that is due and payable on Subordinated Funding Obligations on such Interest Payment Date, so long as after making this payment, the amount remaining on deposit in the Interest Accumulation Account at least equals the amount of accrued and unpaid interest on Senior Funding Obligations as of such Interest Payment Date; and

(c) third, to pay all interest that is due and payable on Junior Subordinated Funding Obligations on such Interest Payment Date, so long as after making this payment, the amount remaining in the Interest Accumulation Account at least equals the amount of accrued and unpaid interest on Senior Funding Obligations and Subordinated Funding Obligations as of such Interest Payment Date.

Any amounts remaining after the applications referred to above: (i) to be held in the Interest Accumulation Account for distribution in the above order of priority on the next Interest Payment Date; or (ii) after all Issuer Funding Obligations have been paid in full, to be transferred to the Collection Account.

Principal Accumulation Account

On each Interest Payment Date (after making the applications provided for in the waterfall under "—*Interest Accumulation Account*"), if any interest that is due and payable on Senior Funding Obligations, Subordinated Funding Obligations or Junior Subordinated Funding Obligations has not been paid, an amount equal to such deficiency will be withdrawn from the Principal Accumulation Account and applied to the payment of interest due and payable on such Interest Payment Date, provided that if the amount to be applied pursuant to this paragraph is insufficient to pay all such interest, the application of such amounts will be made first to Senior Funding Obligations, then to Subordinated Funding Obligations, and finally to Junior Subordinated Funding Obligations, in each case, on a *pro rata* basis.

On each Principal Payment Date (after making the applications provided for in the previous paragraph), the Paying Agent will distribute all amounts on deposit in the Principal Accumulation Account in the following order of priority (*pro rata* in proportion to the claims represented by each paragraph below except as otherwise noted):

(a) first, to pay all principal that is due and payable on Warehouse Obligations on such Principal Payment Date;

(b) second, to pay all principal that is due and payable on Senior Funding Obligations (other than Warehouse Obligations) on such Principal Payment Date;

(c) third, to pay all principal that is due and payable on Subordinated Funding Obligations on such Principal Payment Date, so long as after making this payment, the amount remaining in the Principal Accumulation Account at least equals the Required Principal Accumulation Amount (Senior) as of such Principal Payment Date; and

(d) fourth, to pay all principal that is due and payable on Junior Subordinated Funding Obligations on such Principal Payment Date, so long as after making this payment, the amount remaining in the Principal Accumulation Account at least equals the sum of the Required Principal Accumulation Amount (Senior) and the Required Principal Accumulation Amount (Subordinated) as of such Principal Payment Date.

Any amounts remaining after the applications referred to above: (i) to be held in the Principal Accumulation Account for distribution in the above order of priority on the next Interest Payment Date or Principal Payment Date; or (ii) after all Issuer Funding Obligations have been paid in full, to be transferred to the Collection Account.

IESO Cash Reserve Account

On each Payment Date beginning in November, 2021, an amount equal to the lesser of (i) the amounts to be paid or transferred pursuant to items (a) through (e) of the Collection Account Waterfall, and (ii) the amount, if any, by which the amount on deposit in the IESO Cash Reserve Account exceeds the IESO Cash Reserve Required Amount will be withdrawn from the IESO Cash Reserve Account and applied to the making of such payments or transfers in the order provided for in the Collection Account Waterfall.

On each Payment Date, if the amounts available for distribution from the Collection Account and from the preceding sentence are insufficient to pay or transfer items (a) through (e) of the Collection Account Waterfall, an amount equal to such deficiency will be withdrawn from the IESO Cash Reserve Account and applied to the making of such payments or transfers in the order provided for in the Collection Account Waterfall. Once all funds in the IESO Cash Reserve Account have been paid out, the IESO Cash Reserve Account will be closed.

Program Cash Reserve Account

If, on any Payment Date, the amount on deposit in the Interest Accumulation Account is less than the sum of the Interest Accrual Amount (Senior), the Interest Accrual Amount (Subordinated) and the Interest Accrual Amount (Junior Subordinated), an amount equal to such deficiency will be withdrawn from the Program Cash Reserve Account and deposited in the Interest Accumulation Account.

If, on any Principal Payment Date, the amount available in the Principal Accumulation Account (in accordance with the provisions applicable thereto) is insufficient to pay all principal that is due and payable on Warehouse Obligations, other Senior Funding Obligations, Subordinated Funding Obligations or Junior Subordinated Funding Obligations, as applicable (see "*— Principal Accumulation Account*"), on such Principal Payment Date (after making the applications provided for in the previous paragraph), amounts on deposit in the Program Cash Reserve Account will be used in the following order of priority (*pro rata* in proportion to the claims represented by each paragraph below except as otherwise noted):

(a) first, to pay the deficiency on principal that is due and payable on Warehouse Obligations on such Principal Payment Date;

(b) second, to pay the deficiency on principal that is due and payable on Senior Funding Obligations (other than Warehouse Obligations) on such Principal Payment Date;

(c) third, to pay the deficiency on principal that is due and payable on Subordinated Funding Obligations on such Principal Payment Date; and

(d) fourth, to pay the deficiency on principal that is due and payable on Junior Subordinated Funding Obligations on such Principal Payment Date.

Any amounts remaining after the applications referred to above: (i) to be held in the Program Cash Reserve Account for distribution in the above order of priority on the next Interest Payment Date or Principal Payment Date; or (ii) after all Issuer Funding Obligations have been paid in full, to be transferred to the Collection Account.

Refinancing Account

On each Principal Payment Date, the Paying Agent will transfer from the Refinancing Account to the Principal Accumulation Account the lesser of (i) the amount on deposit in the Refinancing Account, and (ii) the amount by which the sum of the Principal Accumulation Amounts for all Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations on such Principal Payment Date (without reference to any refinancing notice) exceeds the amount on deposit in the Principal Accumulation Account. After all Issuer Funding Obligations have been paid in full, any amounts remaining in the Refinancing Account will be transferred to the Collection Account.

Protection Account

On each date in respect of which the Province of Ontario makes a payment pursuant to the Change of Law Protection Agreement, the Paying Agent will, prior to making any payments under any other payment waterfall, distribute all amounts in the Protection Account solely to satisfy payments in respect of Approved Obligations as set out in the written payment statement delivered by the Manager to the Province of Ontario under the Change of Law Protection Agreement in the order of priority the applicable Obligation Secured has under the applicable payment waterfall.

On the Province of Ontario paying any amount in respect of an Approved Obligation into the Protection Account, the Province of Ontario will be subrogated and entitled to each applicable Specified Creditor's rights and interests under and in respect of the Approved Obligation to the extent of the amounts paid to the Specified Creditor out of the Protection Account, and shall be entitled to the right to be paid the applicable Subrogation Amount, the benefits of the Collateral, and all proceeds therefrom.

Series Accounts

If, after giving effect to payments made on any Payment Date, the amount in the Collection Account is insufficient to make all required payments to Specified Creditors on such date, amounts on deposit in any Series Account may be withdrawn from such Series Account and allocated to the applicable Specified Creditors in accordance with the related Funding Obligation Agreement.

Covenants of the Issuer

Payment of Principal and Interest

The Issuer will duly and punctually pay the principal of and interest due on the Issuer Funding Obligations in the manner specified in the Master Trust Indenture and any related Funding Obligation Agreement.

Use of Proceeds

The Issuer will use the proceeds of such indebtedness solely for: (i) the acquisition by the Issuer of an Investment Interest; (ii) the redemption, repayment or repurchase of any existing Issuer Funding Obligations; (iii) the funding of Issuer Accounts; and (iv) the payment of transaction fees and expenses in connection with the incurrence of Issuer Funding Obligations.

Legal Existence

The Issuer will do or cause to be done all things necessary to preserve its existence and maintain its status as a Financing Entity.

Separateness Covenants

The Issuer will take all reasonable steps to maintain its identity as a distinct entity with assets and liabilities distinct from those of the Manager and any of its affiliates. Such steps include: (i) conducting all transactions with the Manager strictly on an arm's length basis and in good faith; (ii) allocating all overhead expenses for items shared between the Issuer and the Manager on the basis of actual use to the extent practicable; (iii) conducting its affairs strictly in accordance with the Declaration of Trust; (iv) maintaining its books and records separate from those of the Manager or any affiliate thereof; (v) preparing its financial statements separately from those of the Manager and ensuring that any consolidated financial statements of the Manager that include the Issuer have notes clearly stating that the Issuer is a separate entity; (vi) only maintaining bank accounts or other depository accounts to which the Issuer alone is the account party and from which only the Issuer or its agent has the power to make withdrawals; (vii) paying its operating expenses from its own assets (including, reimbursing the Manager for any such expenses); (viii) maintaining its property in such a manner that it is not costly or difficult to segregate, ascertain or otherwise identify its individual assets from or against those of the Manager or any affiliate thereof; and (ix) not becoming liable to any person for any obligations of the Manager or any affiliate thereof.

Performance of Obligations

The Issuer agrees that it will (i) perform and observe all of its obligations and agreements contained in the Master Trust Indenture, the Declaration of Trust, the Master Transfer and Servicing Agreement, the other Program Agreements and in the instruments and agreements relating to the Collateral; (ii) diligently pursue any and all actions to enforce its rights each instrument or agreement included in the Collateral except as expressly provided in ~~the~~ any Program Agreement; and (iii) enforce the Servicer's material obligations under the Master Transfer and Servicing Agreement and the Manager's material obligations under the Management Agreement.

Funding Obligations

The Issuer will ensure that all indebtedness is incurred pursuant to and in accordance with the provisions of the Master Trust Indenture, as described under "*— Conditions Precedent to Incurrence of Obligations Secured — Issuer Funding Obligations*". The Issuer will not enter into any Funding Obligation Agreement (other than a Funding Obligation Agreement relating to Warehouse Obligations) that the Manager believes, acting reasonably, would likely require the Issuer to pay principal on such Issuer Funding Obligation by means of a Refinancing (other than a Pre-Approved Refinancing).

Financial Statements; Statement as to Compliance

The Issuer will deliver, or cause to be delivered to the Indenture Trustee and the Rating Agencies: (i) within 140 days after the end of each fiscal year, audited financial statements of the Issuer; (ii) within 90 days after the end of each fiscal quarter (other than the last fiscal quarter of each fiscal year), unaudited financial statements of the Issuer; and (iii) on an annual basis on or before March 31 of each year, a written statement concerning compliance with the conditions and covenants contained in the Master Trust Indenture and confirming that no Default or Event of Default has occurred or if a material Default or Event of Default has occurred, specifying the details thereof.

Payment Instructions

The Issuer will deliver to the Indenture Trustee and the Paying Agent (if the Paying Agent is not the Indenture Trustee) on a monthly basis, a payment instruction in respect of the Collection Account, which instruction shall set out the payments to be made on the following Payment Date and setting forth, among other things, (i) the amount of the payment to Debtholders (including a breakdown of principal and interest), (ii) any other transfers and payments to be made on such Payment Date, including amounts paid to the Indenture Trustee, the Issuer Trustee and the Manager, and (iii) the amounts on deposit in the Collection Account after giving effect to the foregoing payments. Similar payment instructions will also be delivered in respect of each other Program Account and Series Account, as and when payments are to be made from those accounts.

Notice of Certain Events; Protection Event

The Issuer will give the Indenture Trustee and each Rating Agency prompt written notice of (i) each Event of Default, (ii) each breach on the part of the Issuer or the Servicer of its respective obligations under the Master Transfer and Servicing Agreement (including any Servicer Default), (iii) each breach on the part of the Manager of its obligations under the Management Agreement, (iv) any default of the Issuer or a Derivative Counterparty under a derivative agreement, and (v) any Protection Event.

No Other Business

The Issuer will not engage in any activity other than the activities set forth in the Declaration of Trust or the other Program Agreements, the material provisions of which are described in this confidential shelf offering memorandum under "The Issuer".

Amendments to Program Agreements

Unless the Rating Agency Condition is satisfied, the Issuer will not make any material amendments to any Program Agreement (other than the Master Trust Indenture and individual trade confirmations under derivative agreements), or enter into any Co-Owner Agreement. Without limiting the foregoing sentence, the Issuer will not:

(a) enter into any Co-Owner Agreement without the consent of Controlling Class Creditors by Ordinary Resolution;

(b) amend, supplement, modify, restate or replace, or waive or consent to a postponement of compliance with the terms and conditions on the part of any other party to, any of the Program Agreements (other than the Master Trust Indenture, the derivative agreements and the Declaration of Trust) if any such amendment, supplement, modification, restatement or replacement, or waiver or consent, could reasonably be considered to be materially prejudicial to the rights or interests of any Specified Creditor(s), except as expressly permitted by such Specified Creditor(s) and subject to the Province of Ontario having been given prior notice;

(c) consent, if consent is required, to the resignation of the Manager under the Management Agreement; or

(d) amend the Declaration of Trust if such amendment would have or reasonably be expected to have an Adverse Effect; provided that if such amendment would have such result, such amendment may only be made if the Issuer has obtained the consent of the Debtholders affected by such amendment by Ordinary Resolution.

Regarding amendments to the Master Trust Indenture or a Supplemental Indenture, see "— *Amendments to Master Trust Indenture*".

Consolidation; Sale of Assets

The Issuer may not consolidate with or merge into any other person, or sell, convey, exchange, transfer or otherwise dispose of any of its properties or assets included in the Collateral to any person (each, a "**transaction**"), unless:

(a) the entity formed by or surviving the consolidation or merger (if other than the Issuer) or the entity that acquires by conveyance or transfer formed by or surviving the consolidation or merger, by conveyance or transfer, as applicable: (i) is a financing entity; (ii) is organized under the laws of Canada or any province or territory thereof; (iii) is not a non-resident for purposes of the *Income Tax Act* (Canada); (iv) is not subject to regulation as an "investment company" under the Investment Company Act, (v) expressly assumes, pursuant to an assignment and/or assumption agreement or supplement, the due and punctual payment of all Obligations Secured then

outstanding and the performance or observance of all of the Issuer's agreements and covenants under each of the Program Agreements to which the Issuer is a party; and (vi) in the case of a conveyance or transfer only, expressly agrees, pursuant to such assignment and/or assumption agreement or supplement, that (A) all right, title and interest conveyed or transferred is subject and subordinate to the security interest of the Indenture Trustee and (B) it will make all filings required by applicable securities laws in connection with any Notes;

(b) no Event of Default has occurred and is continuing immediately after the transaction;

(c) the Issuer has delivered to the Indenture Trustee an officer's certificate and an opinion of counsel ~~of external counsel~~,[51] each stating that (i) such transaction and the agreements delivered in connection with such transaction comply with the terms and conditions in the Master Trust Indenture, (ii) all conditions precedent in the Master Trust Indenture relating to the transaction have been complied with, and (iii) each agreement delivered in connection with such transaction has been duly authorized, executed and delivered, and are valid, binding and enforceable against the surviving entity or transferee, as applicable;

(d) the Rating Agency Condition has been satisfied with respect to such transaction; and

(e) any action as is necessary to maintain the first priority perfected security interest in the Collateral has been taken.

No Borrowing; Guarantees, Loans; Restricted Payments

The Issuer will not issue, incur, assume, guarantee or otherwise become liable for any indebtedness except for Funding Obligations. Additionally, the Issuer will not, except as contemplated by the Master Trust Indenture or the Declaration of Trust, make any loan or advance or credit to, or guarantee, endorse or otherwise become contingently liable in connection with the obligations of, or own, purchase or acquire any stock, obligations, assets or securities of, or any other interest in, or make any capital contribution to, any other person.

The Issuer is permitted to declare or make payable any amounts to the owner of units in the Issuer as permitted by and in accordance with the Declaration of Trust, and redeem, purchase, retire or otherwise acquire for value any units in the Issuer, provided that the Issuer may only satisfy the distribution declared or made payable, or the redemption or purchase price of such units to the extent that cash or property is available for such purpose, subject to the payment waterfalls provided for in the Master Trust Indenture. If the Issuer is restricted from satisfying the foregoing amounts in cash or property, then the Issuer will satisfy such amounts through the issuance of additional units and/or a promissory note to its unitholders in accordance with the Declaration of Trust.

Subordinated Funding Obligations and Junior Subordinated Funding Obligations

Notwithstanding anything in a Funding Obligation Agreement to the contrary, the Issuer may not redeem any Series or Tranche of Subordinated Funding Obligations or Junior Subordinated Funding Obligations unless the following conditions are satisfied: (i) no Default or Event of Default has occurred and is continuing; (ii) all Issuer Accounts are fully funded in accordance with the Master Trust Indenture and any applicable Funding Obligation Agreement; and (iii) the aggregate outstanding principal amount of Subordinated Funding Obligations and Junior Subordinated Funding Obligations after giving effect to such redemption will not be less than 35% of the aggregate outstanding principal amount of Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations.

The Issuer will not permit (i) the aggregate outstanding principal amount of Subordinated Funding Obligations and Junior Subordinated Funding Obligations to be less than 35% of the aggregate outstanding principal amount of Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations, or (ii) the aggregate outstanding principal amount of Junior Subordinated Funding Obligations to be less

[51] **Note:** Please confirm deletion of "external counsel". Please see definition of "Opinion of Counsel" and s. 13.19(c) in Master Trust Indenture.

than 10% of the aggregate outstanding principal amount of Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations.

Security Matters

The Issuer will not (i) permit any lien, charge, excise, claim, security interest, mortgage or other encumbrance (other than permitted liens) to be created on or extend to the Collateral, (ii) release any security or guarantee in respect of the Collateral, (iii) sell, transfer, exchange or otherwise dispose of any of the Collateral except as expressly permitted under the Master Trust Indenture, or (vi) change its name, jurisdiction of formation or type of organization, unless it has provided the Indenture Trustee and each Rating Agency with prior written notice and it has first made all filings and taken all actions necessary to continue and maintain the Indenture Trustee's first priority security interest in the Collateral.

Other Covenants

In addition to the covenants contained in any Supplemental Indenture or any other Funding Obligation Agreement and the other covenants described in this section, the Issuer agrees that:

- upon the written request of the Indenture Trustee, it will use reasonable commercial efforts, following any (i) termination or resignation of the Servicer, the Manager or the Paying Agent, or (ii) termination, non-renewal or expiry of a liquidity agreement or a credit enhancement agreement, to appoint and enter into an agreement with a successor to such Servicer, Manager or Paying Agent, or replace or renew such liquidity agreement or credit enhancement agreement, in form and substance the same as the previously existing Program Agreement;

- it will not claim any credit on or make any deduction from the principal and interest payable on the Notes or Borrowings (other than amounts withheld or deducted in accordance with the Master Trust Indenture); or

- it will not take any action that would cause it to be treated as engaged in a "trade or business within the United States" for U.S. federal income tax purposes.

Amendments to Master Trust Indenture

Amendments not Requiring Consent of Specified Creditors

The Issuer and the Indenture Trustee may amend, supplement or otherwise modify the Master Trust Indenture or any Supplemental Indenture without the consent of any Specified Creditor upon prior notice to each Rating Agency and the Province of Ontario and delivery by the Issuer to the Indenture Trustee of an officer's certificate to the effect that the Issuer reasonably believes that such amendment will not and is not reasonably expected to have an Adverse Effect. Such amendments to the Master Trust Indenture or any Supplemental Indenture may:

- evidence the succession or successive successions of another Financing Entity to the Issuer, and the assumption by such successor of the covenants of the Issuer in the Master Trust Indenture and the Notes;

- add to the covenants of the Issuer, or have the Issuer surrender any of its rights or powers under the Master Trust Indenture (or any Supplemental Indenture), for the benefit of the Debtholders of any or all Classes, Series or Tranches of Issuer Funding Obligations;

- cure any ambiguity, correct or supplement any provision in the Master Trust Indenture which may be inconsistent with any other provision in the Master Trust Indenture (or any Supplemental Indenture), to correct a clear clerical or administrative error, or make any other provisions for matters or questions arising under the Master Trust Indenture;

- provide for the issuance of any Series or Tranche of Notes and to set forth the terms thereof, and/or to add to the rights of the Noteholders of any Class, Series or Tranche;
- provide for the acceptance of a successor Indenture Trustee under the Master Trust Indenture;
- add any Events of Default relating to any or all Classes, Series or Tranches of Issuer Funding Obligations;
- provide for the consolidation of any financing entity and the Issuer into a single entity or the transfer of assets in any financing entity to the Issuer;
- if the IESO is replaced under the Master Transfer and Servicing Agreement, make any necessary changes to the Master Trust Indenture;
- provide for additional forms of credit enhancement for any Class, Series or Tranche of Issuer Funding Obligations;
- facilitate the issuance of foreign currency Issuer Funding Obligations;
- comply with any regulatory, accounting or tax laws, or changes to any ratings criteria;
- enable the Issuer to file a registration statement for the offering of securities registered under the Securities Act and to comply with Regulation AB thereunder; or
- qualify for sale treatment under generally accepted accounting principles.

The Master Trust Indenture or any Supplemental Indenture may also be amended by the Issuer and the Indenture Trustee without the consent of any Specified Creditor (but with prior notice to each Rating Agency and the Province of Ontario) in the following circumstances, provided that the Issuer delivers to the Indenture Trustee an officer's certificate to the effect that (i) the Issuer reasonably believes that such amendment will not and is not reasonably expected to have an Adverse Effect, and (ii) such amendment is required to comply with law, or to conform or be consistent with the statements contained in this confidential shelf offering memorandum:

- to facilitate compliance with changes in laws or regulations applicable to the Issuer or the transactions governed by the Program Agreements; or
- to cause the provisions of the Master Trust Indenture to conform to or be consistent with or in furtherance of the statements made in this confidential shelf offering memorandum with respect to the Master Trust Indenture or any Supplemental Indenture.

Additionally, the Master Trust Indenture or any Supplemental Indenture may also be amended by the Issuer and the Indenture Trustee without the consent of any Specified Creditor (but with prior notice to each Rating Agency and the Province of Ontario) in the following circumstances, provided that (i) the Issuer delivers to the Indenture Trustee an officer's certificate to the effect that the Issuer reasonably believes that such amendment will not and is not reasonably expected to have an Adverse Effect and (ii) the Rating Agency Condition is satisfied with respect to such amendment:

- to add provisions to, or change in any manner or eliminate any of the provisions of, the Master Trust Indenture or any Supplemental Indenture;
- to modify in any manner the rights of the Specified Creditors under the Master Trust Indenture or any Supplemental Indenture; or
- to provide for those changes necessary for compliance with securities law requirements or banking laws or regulations.

The Indenture Trustee may, but is not obligated to, enter into any amendment which adversely affects its rights, duties, benefits, protections, privileges or immunities under the Master Trust Indenture (or any Supplemental Indenture).

Amendments Requiring Consent of Debtholders

The Issuer and the Indenture Trustee may amend, supplement or otherwise modify and amend the Master Trust Indenture or any Supplemental Indenture for reasons other than those stated in the prior section ("*— Amendments not Requiring Consent of Specified Creditors*"), with prior notice to each Rating Agency and the Province of Ontario, the consent of Debtholders of each Class, Series or Tranche of Issuer Funding Obligations affected by that amendment, supplement or other modification by Ordinary Resolution, and satisfaction of the Rating Agency Condition. However, if the amendment, supplement or other modification would result in any of the following events occurring, it may be made only with the consent of each Debtholder of Issuer Funding Obligations affected thereby and satisfaction of the Rating Agency Condition:

- a change in an Interest Payment Date, Principal Payment Date or Principal Payment Default Date for any Issuer Funding Obligation;
- a reduction in the principal amount of, or interest rate on, any Note, or a change in the method of computing the outstanding principal amount in a manner that is adverse to any Debtholder;
- a reduction in the amount of a discount note payable upon its acceleration;
- a reduction in the percentage in outstanding principal amount of Issuer Funding Obligations of any Class, Series or Tranche, the consent of whose holders is required for modification or amendment of the Master Trust Indenture, any Supplemental Indenture or any related agreement or for waiver of compliance with provisions of the Master Trust Indenture or for waiver of defaults and their consequences provided for in the Master Trust Indenture;
- a modification of any of the provisions governing the amendment of the Master Trust Indenture or any Supplemental Indenture, or waivers of past defaults, except to increase any percentage of Debtholders required to consent to any such amendment or waiver, or to provide that certain other provisions of the Master Trust Indenture cannot be modified or waived without the consent of each Debtholder affected by such modification;
- a change in the city or political subdivision so designated with respect to any Class, Series or Tranche of Notes where any principal of, or interest on, any Note is payable; or
- a change in the method of computing the amount of principal of, or interest on, any Note on any date.

Debtholder Approvals and Meetings

Access to Debtholder Lists

The Indenture Trustee will preserve the names and addresses of all Specified Creditors received by it in its capacity as Note registrar and those which it has received from the Issuer in accordance with the Master Trust Indenture. Three or more Debtholders of any Series or Tranche, each of whom has owned an Issuer Funding Obligation of such Series or Tranche for at least six months, may, by application to the Indenture Trustee in the prescribed form, obtain access to the current list of Debtholders held by the Indenture Trustee for purposes of communicating with other Debtholders concerning their rights under the Master Trust Indenture (or any Supplemental Indenture) or under the applicable Program Agreement.

Debtholder Meetings

The Master Trust Indenture sets out the mechanics for meetings of Debtholders. The Master Trust Indenture provides for meetings of Debtholders of any Class, Series or Tranche of Issuer Funding Obligations, of all Issuer Funding Obligations, of Controlling Class Obligations of a Series or of all Controlling Class Obligations (each of such groups of Debtholders being a "**Debtholder Group**"). The Indenture Trustee will call a meeting of a Debtholder Group upon request of the Issuer or Debtholders of at least 25% in aggregate outstanding principal amount of the applicable Issuer Funding Obligations. If the Indenture Trustee fails to convene, or cause to be convened, such a meeting after 30 days, the Issuer or those Debtholders may convene the meeting. The Indenture Trustee may call a meeting of a Debtholder Group at any time for any purpose. The quorum for any meeting is one or more persons holding (personally or as proxies) not less than 25% of the outstanding principal amount of the Issuer Funding Obligations of the Debtholder Group entitled to vote at such meeting. Each Debtholder who is present, whether in person or by proxy, will have one vote for every $1,000 of outstanding principal amount of applicable Issuer Funding Obligations of which he or she shall be the holder.

Every question submitted to a meeting, except those matters requiring an Extraordinary Resolution, shall be decided by a majority of the votes (an "**Ordinary Resolution**"). Any matter requiring an Extraordinary Resolution shall be decided by the affirmative vote of Controlling Class Creditors holding not less than 66⅔% of the outstanding principal amount of all Controlling Class Obligations (an "**Extraordinary Resolution**"). Such matters include:

- after the security has become enforceable, authorizing the Indenture Trustee to accept, in satisfaction or partial satisfaction, all or any part of the Collateral;
- after the security has become enforceable, sanctioning the selling of the Collateral or any part thereof or interest therein;
- after the security has become enforceable, authorizing the Indenture Trustee or any other person to bid or tender at any sale of the Collateral or any part thereof and take such actions in connection with such sale as it determines to be in the best interests of all Controlling Class Creditors;
- consenting to any compromise or arrangement by the Issuer with any creditor, creditors or class or classes of creditors or with the holders of any securities of the Issuer whose claims are payable from the Collateral;
- restraining any Debtholder from taking or instituting any suit, action or proceeding for the purpose of realizing on the Collateral or for the execution of any trust or power hereunder or for the appointment of a liquidator, receiver or trustee in bankruptcy or to have the Issuer liquidated or for any other remedy hereunder and to direct such Debtholder to waive any Event of Default on which any suit or proceeding is founded;
- requiring the Indenture Trustee (subject to receipt by the Indenture Trustee of reasonable funding and indemnity) to exercise or refrain from exercising any other powers conferred upon it by the Master Trust Indenture of general application to all Classes of Issuer Funding Obligations, including the exercise of any rights of the Issuer under any of the Program Agreements upon the occurrence and during the continuance of an Event of Default, or cancel any declaration of acceleration made pursuant to the Master Trust Indenture upon such terms and/or conditions as may be decided;
- authorizing the Indenture Trustee, for and on behalf of all Debtholders, to file and prove a claim or debt against the Issuer or its property for an amount equivalent to the aggregate amount which may be payable in respect of all Issuer Funding Obligations, to value the Collateral, and to vote such claim or debt at meetings of creditors and generally act for and on behalf of all Debtholders in such proceedings as such Extraordinary Resolution may provide; and

- appointing a committee to exercise, on behalf of all Controlling Class Creditors, any powers of such Controlling Class Creditors as are exercisable by Extraordinary Resolution or other resolution (as specified in the Extraordinary Resolution appointing such committee).

Any resolution or instrument signed by the requisite number of Debtholders or Controlling Class Creditors, as applicable, shall have the same force and effect as a resolution duly passed at a meeting of such Debtholders or Controlling Class Creditors.

Any action or vote taken at a meeting (including by way of written instrument) of Debtholders of a Debtholder Group duly held in accordance with the Master Trust Indenture will be binding on all Debtholders of that Debtholder Group. An Extraordinary Resolution shall bind all Debtholders and all other Specified Creditors.

In determining whether Noteholders of the requisite principal amount have taken any action under the Master Trust Indenture, (i) Senior Notes owned by the Issuer, the Manager or any affiliate of either of them, and (ii) any Class of Notes (or portion thereof) in which the Province of Ontario has an interest will, in each case, be disregarded and deemed not to be outstanding at any time that a Specified Creditor other than the Province of Ontario has an interest in such Class of Notes. In determining whether the Indenture Trustee will be protected in relying upon any such action, only Senior Notes (or, in the case of the Province of Ontario, any Notes) which a responsible officer of the Indenture Trustee knows to be owned by the Issuer, OPG or any affiliate of either of them, or with respect to which the Province of Ontario has an interest pursuant to the Change of Law Protection Agreement, will be so disregarded.

Whenever an action may be taken by Debtholders of a specified percentage of outstanding principal amount of Issuer Funding Obligations and at such time there are outstanding Issuer Funding Obligations of any relevant Series denominated in a foreign currency, then the principal amount of the Issuer Funding Obligations of such Series which will be deemed to be outstanding for purposes of taking such action will be the amount of Canadian dollars which could be obtained for such principal amount at the market exchange rate on the applicable date.

Events of Default

General

Each of the following events is an "**Event of Default**":

(a) the Issuer's failure, for a period of 5 days, to pay interest on any Controlling Class Obligations when such interest becomes due and payable;

(b) the Issuer's failure to pay the principal of any Controlling Class Obligations at the Principal Payment Default Date;

(c) any representation or warranty in the Master Trust Indenture proves to be incorrect in any material respect when made and if capable of remedy, such incorrect representation or warranty is not remedied for a period of 60 days after the Indenture Trustee or Controlling Class Creditors holding at least 25% of the outstanding principal amount of all Controlling Class Obligations have provided written notice to the Issuer requesting remedy of that default and stating that as a result of such default, the interests of such Controlling Class Creditors are materially and adversely affected and continue to be materially and adversely affected during the 60-day period;

(d) the Issuer's default in the performance, or breach, of any other of its covenants or warranties in the Master Trust Indenture, for a period of 60 days after the Indenture Trustee or Controlling Class Creditors holding at least 25% of the outstanding principal amount of all Controlling Class Obligations have provided written notice to the Issuer requesting remedy of that default and stating that as a result of such default, the interests of such Controlling Class Creditors are materially and adversely affected and continue to be materially and adversely affected during the 60-day period;

(e) certain events of bankruptcy or insolvency of the Issuer, or the Issuer fails to maintain its existence or status as a Financing Entity;

(f) the Change of Law Protection Agreement ceases to be in full force and effect against the Province of Ontario, or the validity thereof, or the applicability thereof to the Province of Ontario or any Controlling Class Obligations is disaffirmed by the Province of Ontario;

(g) an Acceleration Event has occurred and Controlling Class Creditors holding at least 25% of the outstanding principal amount of all Controlling Class Obligations have provided written notice to the Issuer and the Indenture Trustee specifying the default;

(h) the Issuer's default in the performance of its covenant to deliver payment instructions for a period of three days after the Indenture Trustee has provided written notice thereof;

(i) at any time, the amounts withdrawn from the Program Cash Reserve Account prior to such time exceed the aggregate of (x) 0.50% of the largest outstanding principal amount of all Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations on or prior to such time, (y) the sum of all amounts deposited to the Program Cash Reserve Account, and (z) all interest and earnings (net of losses and investment expenses), if any, on funds credited to the Program Cash Reserve Account; or

(j) a Servicer Default occurs.

If Controlling Class Obligations constituting 25% or more of the outstanding principal amount of all Controlling Class Obligations have been accelerated in accordance with their Funding Obligation Agreements, the thresholds required in clauses (c), (d) or (g) will be deemed to have been met.

Waiver of Default

Subject to the summary provided for below under "*— Acceleration and Remedies — General*", Controlling Class Creditors may, by Ordinary Resolution, waive any past Default under the Master Trust Indenture so long as the Rating Agency Condition in respect of each Series or Tranche of Controlling Class Obligations has been satisfied.

Acceleration and Remedies

General

If an Event of Default (other than an Event of Default described in paragraph (e) or (f)) occurs and is continuing, either the Indenture Trustee or Controlling Class Creditors holding not less than 50% of the outstanding principal amount of all Controlling Class Obligations (treated as one class) may declare the outstanding principal amount of all Issuer Funding Obligations (other than Derivative Funding Obligations) to be immediately due and payable. If Controlling Class Obligations constituting 50% or more of the outstanding principal amount of all Controlling Class Obligations have been accelerated in accordance with their Funding Obligation Agreements, the 50% threshold required will be deemed to have been met. The occurrence of an Event of Default described in paragraph (e) or (f) results in an automatic acceleration of all Issuer Funding Obligations (other than Derivative Funding Obligations).

A declaration of acceleration or an automatic acceleration may be rescinded by Extraordinary Resolution if (i) the Issuer has paid all overdue interest, principal that has become due (other by reason of acceleration) on Controlling Class Obligations and other amounts set out in the Master Trust Indenture, and (ii) all Events of Default (other than non-payment of principal) have been cured or waived.

If Controlling Class Obligations are accelerated, the Indenture Trustee may amongst other things, (i) apply to a court for an order of sequestration and payment of amounts in respect of the Clean Energy Adjustment in accordance with the FHPA, (ii) take possession of the Collateral, (iii) appoint a receiver with respect to the

Collateral, (iv) initiate proceedings in any court for the appointment of a receiver or for sale or foreclosure, (v) exercise rights, remedies, powers, privileges and claims under any Program Agreement, including the right to terminate and replace the Manager or the Servicer, or (vi) take any other action, suit, remedy or proceeding authorized or permitted by the Master Trust Indenture or by applicable law. The Indenture Trustee is not obligated to exercise any of its rights or powers under the Master Trust Indenture at the request or direction of any Controlling Class Creditors unless Controlling Class Creditors offer the Indenture Trustee a reasonable indemnity.

See *"Risk Factors — Risks Associated with the Unusual Nature of the Investment Asset" and "Risk Factors — Insolvency-Related Risks Relating to the Issuer"*.

Limitation on Available Amounts on Acceleration

If all or any portion of the principal amount of any indebtedness of the Issuer (including one or more Series of Senior Notes) becomes due and payable after the Moratorium Period and before its scheduled payment date, maturity date or redemption date, then the estimated Finance Amount used by the Financial Services Manager to determine the Clean Energy Adjustment for a period will be determined without regard to the fact that such amount has become due and payable, unless and only to the extent that the amount of the Clean Energy Adjustment is capable of being increased based on the Fair Allocation Amount for such period. See *"Ontario's Fair Hydro Plan — Fair Allocation Amount and Financing Plan"*. However, upon such acceleration, all accelerated Senior Notes will be repaid in full before any further payments of principal are made to holders of subordinated indebtedness, including the subordinated debt held by OPG; therefore, collections of the Clean Energy Adjustment that would otherwise have been available to repay the principal amount of subordinated indebtedness in the absence of acceleration of the Senior Notes will instead be applied to repay accelerated Senior Notes. See *"Capital Markets Platform"*.[52]

Payment Waterfall Upon Acceleration

After acceleration of the Issuer Funding Obligations (other than derivative agreements), any money or other property standing to the credit of an Issuer Account (except as set out below) or otherwise collected by the Indenture Trustee will be applied in the following priority:

(a) first, to the payment or remittance of taxes for which a governmental authority is given priority over the Specified Creditors under the laws of the applicable jurisdiction;

(b) second, to pay fees, expenses and reimbursement amounts owing to the Issuer Trustee and the Indenture Trustee;

(c) third, *pari passu* (i) to pay interest, fees and other amounts (other than principal) owing in respect of Senior Funding Obligations and (ii) to pay all Derivative Funding Obligations (other than termination payments);

(d) fourth, to pay interest, fees and other amounts (other than principal) owing in respect of Subordinated Funding Obligations;

(e) fifth, to pay interest, fees and other amounts (other than principal) owing in respect of Junior Subordinated Funding Obligations;

(f) sixth, to pay principal owing in respect of Warehouse Obligations;

(g) seventh, *pari passu* (A) to pay principal owing in respect of Senior Funding Obligations (other than Warehouse Obligations) and (B) to pay termination payments owing to Derivative Counterparties where the Derivative Counterparty is not the defaulting party or the sole affected party;

[52] **Note:** Please consider tracking the specific terms of section 6.1 of the General Regulation, and add detailed descriptions to correspond to the limitation on cashflows during acceleration in the applicable detailed portions of the OM and Risk Factors.

(h) eighth, to pay fees, expenses and reimbursement amounts owing to the Manager;

(i) ninth, to pay principal owing in respect of Subordinated Funding Obligations;

(j) tenth, to pay principal owing in respect of Junior Subordinated Funding Obligations;

(k) eleventh, to pay termination payments owing to Derivative Counterparties where the Derivative Counterparty is the defaulting party or the sole affected party;

(l) twelfth, to pay all indemnity amounts owing to the Manager;

(m) thirteenth, *pari passu* (i) to the payment or remittance of taxes not previously paid pursuant to paragraph (a), and (ii) to pay all amounts owing to Specified Creditors not specifically referred to above; in each case, including, for each referenced party, any amounts payable to their respective affiliates under the terms of any relevant indemnity; and

(n) fourteenth, to pay any remaining amounts to the Issuer.

However, amounts on deposit in a Series Account will first be used to satisfy all obligations owing to the Debtholders or Derivative Counterparties for whom such Series Account was established. Thereafter, such amounts will be applied in accordance with the priorities set out above. In addition, amounts on deposit in the Protection Account will only be used to satisfy the obligations for which those amounts were deposited.

Rights of Specified Creditors

No Specified Creditor will have the right to institute any proceeding, judicial or otherwise, with respect to the Master Trust Indenture, or for the appointment of a receiver or trustee or similar official, or for any other remedy under the Master Trust Indenture. A Controlling Class Creditor may exercise such rights if:

(a) the Issuer or a Controlling Class Creditor has previously given to the Indenture Trustee written notice of a continuing Event of Default;

(b) Controlling Class Creditors, by Ordinary Resolution, have made written request of the Indenture Trustee to institute the proceeding in its own name as Indenture Trustee;

(c) Controlling Class Creditors have offered the Indenture Trustee a satisfactory indemnity; and

(d) the Indenture Trustee has, for 60 days, failed to institute the proceeding.

Subject to certain powers which may only be exercised by Extraordinary Resolution, Controlling Class Creditors, by Ordinary Resolution, will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising any trust or power conferred on the Indenture Trustee with respect to all Issuer Funding Obligations. However, the Indenture Trustee may decline to follow such direction if it determines (based on advice from counsel) that such direction (i) conflicts with applicable law or the Master Trust Indenture, (ii) has a substantial likelihood of involving the Indenture Trustee in personal liability or (iii) is unjustly prejudicial to Controlling Class Creditors not taking part such direction. See "— *Debtholder Approvals and Meetings — Debtholder Meetings*" for a description of certain powers which may only be exercised by Extraordinary Resolution. Specified Creditors (other than Debtholders) do not have any right to direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising any trust or power conferred on the Indenture Trustee. Specified Creditors (other than Debtholders) will only have the right to receive proceeds following an Event of Default.

Limited Recourse

The obligation of the Issuer to pay principal of and interest on the Issuer Funding Obligations or any other amount payable to any Specified Creditor is subject to the allocation and payment provisions in the Master Trust Indenture and the applicable Funding Obligation Agreement and limited to amounts available from the Collateral. Neither the Indenture Trustee, the Manager nor the Issuer Trustee in its individual capacity, nor any holder of any unit in the Issuer, nor any of their respective owners, beneficiaries, agents, officers, directors, employees, successors or assigns will, in the absence of an express agreement to the contrary, be personally liable for the payment of the principal of or interest on the Notes or any other Issuer Funding Obligation, or for the Issuer's covenants and agreements contained in the Master Trust Indenture.

No Petition

Each Specified Creditor, by accepting its rights as a beneficiary under the Master Trust Indenture, agrees that until one year and one day following repayment in full of all Issuer Funding Obligations, it will not commence (or join in commencing) a bankruptcy, insolvency or similar proceeding under the laws of any jurisdiction against the Issuer.

Force Majeure

The Indenture Trustee and the Issuer Trustee will not be responsible or liable for any failure or delay in the performance of their obligations under the Master Trust Indenture arising out of or caused by, directly or indirectly, forces beyond their control, including loss or malfunctions of utilities, communications or computer services.

Satisfaction and Discharge

The Master Trust Indenture will cease to be of further effect with respect to any Class, Series or Tranche of Issuer Funding Obligations when:

(a) (x) in the case of Notes, all Notes of that Class, Series or Tranche which had been outstanding, with certain exceptions set forth in the Master Trust Indenture, have been delivered to the Indenture Trustee for cancellation or been cancelled, or (y) in the case of all other Issuer Funding Obligations, all Issuer Funding Obligations of that Class, Series or Tranche have been paid in full, as certified by the Issuer;

(b) the Issuer has paid all other sums payable by it under the Master Trust Indenture with respect to that Class, Series or Tranche of Issuer Funding Obligations; and

(c) the Issuer has delivered to the Indenture Trustee an officer's certificate and an opinion of external counsel each stating that the conditions precedent in the Master Trust Indenture relating to the satisfaction and discharge with respect to that Class, Series or Tranche of Issuer Funding Obligations have been complied with.

The Master Trust Indenture will cease to be of further effect when all Issuer Funding Obligations have been satisfied and discharged in accordance with the previous paragraph and all other Obligations Secured have been paid in full, as certified by the Issuer.

DESCRIPTION OF NOTES

The following description of the Senior Notes is a summary of certain of their material attributes and characteristics, and does not purport to be complete. The terms and conditions set forth in this "Description of the Senior Notes" section will apply to each Senior Note unless otherwise specified in the Term Sheet applicable to such

Offering. For further particulars, reference should be made to the Master Trust Indenture and the Supplemental Indenture and Terms Document, if any, relating to the particular Series or Tranche of Senior Notes.

General

The Senior Notes will be issued under the Master Trust Indenture and will be Funding Obligations issued in connection with the financing program described under the heading "*Capital Markets Platform*". The specific terms and conditions of each Series of Senior Notes will be set forth in the Supplemental Indenture authorizing that Series and the specific terms and conditions of any Tranche of Senior Notes will be set forth in the Supplemental Indenture or the Terms Document authorizing that Tranche.

Under the Master Trust Indenture, the Issuer may issue an unlimited principal amount of Senior Notes. See "*Capital Markets Platform — Conditions Precedent to Incurrence of Obligations Secured — Issuer Funding Obligations*". The Senior Notes will be direct obligations of the Issuer and secured in the manner provided for under the Master Trust Indenture. See "*Capital Markets Platform — Security*".

The Supplemental Indenture or Terms Document will describe the following terms of the Senior Notes:

- the Series designation;
- stated principal amount of the Senior Notes;
- whether such Senior Notes are of a particular Tranche of Senior Notes;
- the currency or currencies in which such Senior Notes will be denominated and in which payments of principal of, and interest on, such Senior Notes will or may be payable;
- the price at which such Series or Tranche of Senior Notes will be issued;
- the times at which such Series or Tranche of Senior Notes may, pursuant to any optional redemption provisions, be redeemed, and the other terms and provisions of any such redemption;
- the rate per annum at which such Series or Tranche of Senior Notes will bear interest, if any, or the formula or index on which such rate will be determined;
- each Interest Payment Date, each Principal Payment Date and the Principal Payment Default Date for such Series or Tranche of Senior Notes;
- the Principal Accumulation Date(s) and Principal Accumulation Amount(s) for such Series of Senior Notes;
- the initial principal amount of such Senior Notes, and the means for calculating the outstanding principal amount of such Series or Tranche of Senior Notes;
- whether or not application will be made to list such Series or Tranche of Notes on any securities exchange;
- any events of default with respect to such Series or Tranche of Senior Notes;
- if such Series or Tranche of Senior Notes will be issued in whole or in part in the form of a global note, the terms and conditions, if any, upon which such global note may be exchanged for other individual Senior Notes, and the depository for such global note;
- if such Class, Series or Tranche of Senior Notes will be issued in whole or in part in registered form, bearer form or both, and if such Senior Notes will be issued with or without coupons;

- if such Class, Series or Tranche will have the benefit of a credit enhancement agreement or liquidity agreement, and the terms and provisions of the applicable agreement;

- the record date for any Interest Payment Date or Principal Payment Date of such Series or Tranche of Senior Notes, if different from the last of the month before the related Interest Payment Date or Principal Payment Date; and

- whether and under what conditions, additional amounts will be payable to Noteholders of such Series or Tranche of Notes.

Limitations

The Senior Notes do not constitute a debt, liability or other obligation of, or interest in, OPG or any of its other affiliates (other than the Issuer). The Senior Notes are not a debt, liability or obligation of the Province of Ontario or any of its political subdivisions, agencies or instrumentalities. The Senior Notes will not be insured or guaranteed by the Province of Ontario, OPG or any of their respective affiliates or any other person or entity, except that the Province of Ontario has agreed to provide a limited guarantee in respect of the Senior Notes following the occurrence of certain events. See *"Change of Law Protection Agreement".*

Payments of Principal and Interest

Interest will accrue on the principal balance of each Series or Tranche of Senior Note at the interest rate specified in the related Term Sheet and will be payable on the Interest Payment Date(s) specified in the related Term Sheet. Principal of each Series or Tranche of Senior Notes will be payable in the amounts and on the Principal Payment Date(s) specified in the related Term Sheet. The Term Sheet applicable to a Series or Tranche of Senior Notes will also set out the Principal Payment Default Date for such Senior Notes, which is the date on which failure to pay the principal amount of such Senior Notes will result in an Event of Default.

On each Payment Date, the Issuer will, to the extent funds are available therefor from the Collection Account (see "*Capital Markets Platform — Payment Waterfalls Prior to Acceleration — Collection Account*"), transfer to the Interest Accumulation Account the aggregate amount of interest that has accrued on each Series of Senior Notes (together with all other amounts to be accrued for other Issuer Funding Obligations). On each Interest Payment Date for a Series or Tranche of Senior Notes, the Paying Agent will pay to the holders of such Senior Notes interest then due on such Senior Notes using amounts available therefor from the Interest Accumulation Account, the Principal Accumulation Account, the IESO Cash Reserve Account, the Program Cash Reserve Account and the Protection Account. See "*Change of Law Protection Agreement*" and "*Capital Markets Platform — Payment Waterfalls Prior to Acceleration*".

On each Payment Date, the Issuer will, to the extent funds are available therefor from the Collection Account (see "*Capital Markets Platform — Payment Waterfalls Prior to Acceleration — Collection Account*"), transfer to the Principal Accumulation Account the aggregate of the amounts the Issuer is required to accumulate for each Series of Senior Notes (together with all other amounts to be accumulated for other Issuer Funding Obligations). The Term Sheet applicable to a Series or Tranche of Senior Notes will set out the Principal Accumulation Amount(s) and the Principal Accumulation Date(s) for such Senior Notes. On each Principal Payment Date for a Series or Tranche of Senior Notes, the Paying Agent will pay to the holders of such Senior Notes the principal then due on such Senior Notes using amounts available therefor from the Principal Accumulation Account, the Program Cash Reserve Account and the Protection Account. See "*Change of Law Protection Agreement*" and "*Capital Markets Platform — Payment Waterfalls Prior to Acceleration*". Holders of Senior Notes may receive principal payments earlier than a Principal Payment Date if an optional redemption occurs and may receive principal payments later than a Principal Payment Date if there are insufficient Available Collections. See "*Risk Factors*" for a discussion of factors that may affect the timing of principal payments on a Series or Tranche of Senior Notes. It is not an Event of Default if the stated principal amount of a Series or Tranche of Senior Notes is not paid in full on a Principal Payment Date. If the stated principal amount of a Senior Note is not paid in full by its Principal Payment Default Date, an Event of Default will occur. See "*Capital Markets Platform — Events of Default*".

Unless otherwise specified in a Term Sheet, the Issuer has designated the Indenture Trustee as its Paying Agent for all Senior Notes having a place of payment in Toronto, Ontario.

Optional Redemption of Senior Notes

If a Supplemental Indenture for any Series or Tranche of Senior Notes states that such Senior Notes will be redeemable, in whole at any time or in part from time to time, such Senior Notes will be redeemable at the option of the Issuer at the redemption price specified in the Supplemental Indenture. If less than all the Senior Notes of any Series or Tranche are to be redeemed at one time, the Senior Notes of such Series or Tranche to be redeemed will be selected by the Indenture Trustee on a pro rata basis according to the principal amount of such Senior Notes registered in the name of each holder thereof, or in such other manner as the Indenture Trustee may consider equitable.

Notice of any redemption will be delivered to each holder of the Senior Notes to be redeemed, electronically or by mail (postage prepaid) at the address of such holder appearing in the Note register (or published in an authorized newspaper in the case of Senior Notes held in bearer form) or otherwise in accordance with the procedures of the depository, at least 15 days but not more than 30 days before the redemption date, except that redemption notices may be delivered more than 30 days prior to the redemption date if the notice is issued in connection with a satisfaction and discharge of the Master Trust Indenture with respect to such Series or Tranche of Senior Notes. The notice of redemption will state (i) the portion of the principal amount thereof to be redeemed (provided that no Senior Notes in an aggregate principal amount of 1,000 units of the applicable currency or less will be redeemed in part), (ii) the redemption date and (iii) the redemption price. Unless the Issuer defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Senior Notes or portions of the Senior Notes called for redemption. A replacement note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original note; provided, however, that, in the case of a global note, an appropriate notation may instead be made on such note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof.

The Term Sheet for each Offering will identify the redemption provisions of the applicable Notes at the time of such Offering.

Purchase for Cancellation

The Issuer may purchase or otherwise acquire, at any time or from time to time, all or any of the outstanding Senior Notes of any Series or Tranche in the market or by invitation for tenders or by private contract at such prices as it may determine in its sole discretion. All such Senior Notes purchased by the Issuer will be cancelled. If, upon a tender, more Senior Notes of a Series or Tranche are tendered at the same lowest price than the Issuer is prepared to accept, the Senior Notes of such Series or Tranche to be purchased will be selected by the Indenture Trustee on a pro rata basis according to the principal amount of such Senior Notes registered in the name of each holder thereof, or in such other manner as the Indenture Trustee may consider equitable.

DEPOSITORY SERVICES

Except as otherwise provided below, the Senior Notes will be issued in "book-entry only" form and must be purchased, transferred, redeemed or exchanged through participants ("**Participants**") in the depository service of a depository chosen by the Issuer (the "**depository**") or its nominee, which include securities brokers and dealers, banks and trust companies. On the closing date of an Offering, the Issuer will cause a global certificate representing the Senior Notes to be delivered to, and registered in the name of, the depository or its nominee. Except as described below, no purchaser of Senior Notes will be entitled to a certificate or other instrument from the Issuer or the depository evidencing that purchaser's ownership thereof, and no purchaser will be shown on the records maintained by the depository except through a book-entry account of a Participant acting on behalf of such purchaser. Each purchaser of Senior Notes will typically receive a customer confirmation of purchase from the registered dealer from which the Senior Notes are purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally, customer confirmations are issued promptly after execution of a customer order. The depository will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in the Senior Notes.

Neither the Issuer, the Indenture Trustee nor the Agents will assume any liability for: (i) any aspect of the records relating to the beneficial ownership of the Senior Notes held by the depository or the payments relating thereto; (ii) maintaining, supervising or reviewing any records relating to the Senior Notes; or (iii) any advice or representation made by or with respect to the depository or those contained in this confidential shelf offering memorandum and relating to the rules governing the depository or any action to be taken by the depository or at the direction of its Participants. The rules governing the depository provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to the depository and persons, other than Participants, having an interest in the Senior Notes must look solely to Participants for payments made by or on behalf of the Issuer to the depository in respect of the Senior Notes.

If: (i) required by applicable law; (ii) the depository notifies the Issuer in writing that the depository is no longer willing or able to discharge properly the responsibilities of a depository with respect to the Senior Notes and the Issuer is unable to locate a qualified successor; (iii) the Issuer determines the Senior Notes in book-entry only form should be exchanged for definitive certificates and the Issuer delivers a written notice to such effect to the Indenture Trustee; (iv) an Event of Default has occurred and Noteholders holding more than 50% of the Controlling Class Obligations of any Series of Senior Notes determine such book-entry system is no longer in the best interests of the holders of that Series; or (v) the book-entry system is terminated, then certificates representing the Senior Notes will be issued to the beneficial owners of Senior Notes.

Interest on the Senior Notes will be paid directly to CDS while the book-entry only system is in effect. If definitive certificates are issued, interest will be paid by wire transfer of immediately available funds to the accounts specified by the holders thereof or, if no such account is specified, by mailing a cheque to each such holder's registered address. Payment of principal, and the interest due, at maturity, will be paid directly to CDS while the book-entry only system is in effect. If definitive certificates are issued, payment of principal, and interest due, at maturity, will be paid upon surrender thereof at any office of the Trustee or as otherwise specified in the Indenture.

Manner of Effecting Transfer or Redemption

A transfer or redemption of Senior Notes held in "book-entry form" only will be effected through records maintained by the depository or its nominee with respect to interests of Participants, and on the records of Participants with respect to interests of persons other than Participants. Purchasers of such Senior Notes who are not Participants, but who desire to purchase, sell or otherwise transfer ownership of or other interests in the Senior Notes, may do so only through Participants.

DTC, Euroclear and Clearstream, Luxembourg

Where CDS acts as depository for a series of Senior Notes, to the extent the Issuer makes such series of Senior Notes eligible with The Depositary Trust Company ("**DTC**"), Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"), and the Issuer specifies as such in the Term Sheet with respect to the particular series of Senior Notes, holders may hold such series of Senior Notes through the accounts maintained by DTC, Euroclear or Clearstream, Luxembourg, as applicable, as participants in CDS only if they are participants of those systems, or indirectly through organizations which are participants of those systems.

In such case, DTC, Euroclear and Clearstream, Luxembourg will hold omnibus book-entry positions on behalf of their participants through customers' securities accounts in their respective depositaries which in turn will hold such positions in customers' securities accounts in the names of the nominees of the depositaries on the books of CDS. All securities in DTC, Euroclear and Clearstream, Luxembourg are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts.

Transfers of such Senior Notes by persons holding through Euroclear or Clearstream, Luxembourg participants, as applicable, will be effected through CDS, in accordance with CDS rules, on behalf of the relevant European international clearing system by its depositaries; however, such transactions will require delivery of transfer instructions to the relevant European international clearing system by the participant in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transfer meets its requirements, deliver instructions to its

depositaries to take action to effect the transfer of the Senior Notes on its behalf by delivering Senior Notes through CDS and receiving payment in accordance with its normal procedures for next-day funds settlement. Payments with respect to the Senior Notes held through Euroclear or Clearstream, Luxembourg will be credited to the cash accounts of Euroclear participants or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures, to the extent received by its depositaries.

All information in this confidential shelf offering memorandum concerning CDS, DTC, Euroclear and Clearstream, Luxembourg, reflects the Issuer's understanding of the policies of such organizations which may change at any time without notice.

PLAN OF DISTRIBUTION

The Senior Notes may be sold by the Issuer directly pursuant to applicable statutory exemptions or through agents designated by the Issuer from time to time. Each Term Sheet will identify the Agents engaged in connection with the applicable Offering of Senior Notes and will also set forth the terms of the Offering of Senior Notes, including the net proceeds to the Issuer and, to the extent applicable, any fees payable to the Agents. The Agents will conditionally offer the Senior Notes for sale on a "best efforts" basis, if, as and when issued and delivered by the Issuer in accordance with the conditions contained in an agency agreement (the "**Agency Agreement**") between the Issuer, OPG and the Agents to be entered into on or about the date of each Term Sheet. The Agents will be paid a fee by the Issuer for their services rendered to the Issuer in connection with the offering, issue and sale of the Senior Notes. The obligations of the Agents under the Agency Agreement may be terminated upon the occurrence of certain stated events. The Agents may over-allot or effect transactions which stabilize or maintain the market price of the Senior Notes at a level different than that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Senior Notes may not be offered or sold, directly or indirectly, in Canada or to or for the account of any Canadian resident except, in the case of sales made in any province of Canada, pursuant to an exemption from the prospectus requirements in Section 2.3 of NI 45-106 and, in the case of a purchaser resident in Ontario, section 73.3(2) of the *Securities Act* (Ontario), also known as the "accredited investor" exemption. In addition, Senior Notes will not be offered or sold, directly or indirectly, to individuals unless those individuals are also "permitted clients" within the meaning of NI 31-103.

Resale of the Senior Notes will be subject to restrictions under applicable securities legislation which vary depending on the relevant jurisdictions. **The Senior Notes may only be sold on a basis that is exempt from the prospectus requirements of applicable securities legislation through an appropriately registered dealer or pursuant to an exemption from the registration requirements of applicable securities legislation**. See *"Restrictions on Resale"*.

This confidential shelf offering memorandum does not constitute an offer to sell or a solicitation of an offer to buy any of the Senior Notes in the United States. The Senior Notes have not been and will not be registered under the U.S. Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the U.S. Securities Act) unless the Senior Notes are registered under the U.S. Securities Act and applicable state securities laws or an exemption therefrom is available. In addition, until 40 days after the commencement of an Offering, any offer or sale of the Senior Notes within the United States by any dealer (whether or not participating in an Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements of the U.S. Securities Act. Each Agent has agreed that, except as permitted by an Agency Agreement, it will not offer or sell the Senior Notes as part of the distribution of the Senior Notes at any time within the United States or to, or for the account or benefit of, U.S. persons.

RISK FACTORS

An investment in Senior Notes involves certain risks. Prospective investors in the Senior Notes should carefully consider all the information included in this confidential shelf offering memorandum, including the risks described below, before deciding to invest in the Senior Notes. This section does not describe all risks applicable to the Issuer and is intended only as a summary of certain material risks. In addition, prospective investors should consult their

own financial and other legal and tax advisors, and should carefully consider, among other matters, the following discussion of risks before deciding whether to purchase Senior Notes.

Judicial, Legislative or Regulatory Risks

Future legal action might challenge or invalidate the FHPA or the Regulations and materially adversely affect a holder's investment in the Senior Notes.

The Investment Asset is a creation of the FHPA, which became effective on June 1, 2017. The Issuer will be the first Financing Entity under the FHPA to issue Funding Obligations as contemplated under the FHPA. The FHPA, the Regulations or any provisions thereof might be directly contested in courts or otherwise become the subject of litigation. The FHPA is novel legislation in Canada and therefore there are no precedents to rely on to support the validity of the FHPA or the Regulations.

As of the date of this confidential shelf offering memorandum, no such litigation has arisen; however, there can be no assurance that a lawsuit challenging the validity of some portion or all of the FHPA or the Regulations will not be filed in the future or that, if filed, such lawsuit will not be successful. If such a lawsuit ~~were successful, it would likely be a Protection Event and the provisions of the Change of Law Protection Agreement would apply. See "Change of Law Protection Agreement". If such successful lawsuit was not, however, a Protection Event~~was successful, and an invalidation of any relevant underlying legislative or regulatory provision were to result that did not constitute a Protection Event under the Change of Law Protection Agreement, a holder of Senior Notes may lose some or all of their investment in the Senior Notes or experience significant delays in recovering their investment in the Senior Notes. Even if the successful lawsuit constitutes a Protection Event, under the terms of the Change of Law Protection Agreement, the Province of Ontario is not obligated to pay or indemnify the Indenture Trustee or any Specified Creditor for consequential, special or punitive damages, or for economic loss or loss of profits (provided that economic loss does not include any amount in respect of an amount due and payable to a Specified Creditor under the Limited Guarantee).

Future legislative action to change the FHPA, the Regulations, the Change of Law Protection Agreement or the electricity market might materially adversely affect a holder's investment in the Senior Notes.

The FHPA provides that no act or omission of the ~~Province of Ontario~~Crown shall be effective to reduce, impair, postpone or terminate the obligations of Specified Consumers to pay amounts in respect of the Clean Energy Adjustment or to impair or postpone the invoicing, collection or remittance of the Clean Energy Adjustment. Ontario does not have a referendum or initiative process by which the FHPA may be amended or ~~revoked~~repealed. Therefore, the only way for such provisions of the FHPA to be amended or ~~revoked~~repealed would be through a subsequent legislative action by the Province of Ontario. A determination by the Province of Ontario that, for political or other reasons, the FHPA or the Regulations should no longer be law in Ontario or that the FHPA or Regulations should be amended to limit or delay the recovery of Clean Energy Adjustments, could result in a decision to make such an amendment, repeal or revocation. Any such action that ~~materially and~~ adversely ~~effects~~affects the ability of the Issuer to receive amounts in respect of the Investment Interest so that it can pay ~~its obligations under the Senior Notes~~Approved Obligations when due and payable (determined after taking into account certain factors described above in the definition of "Protection Event") would be subject to the Change of Law Protection Agreement. Under the Change of Law Protection Agreement, the Province of Ontario is not obligated to pay or indemnify the Indenture Trustee or any Specified Creditor for consequential, special or punitive damages, or for economic loss or loss of profits (provided that economic loss does not include any amount in respect of an amount due and payable to a Specified Creditor under the Limited Guarantee). See "*Change of Law Protection Agreement*". However, future legislative action by the Province of Ontario could also be taken that would have the effect of voiding or otherwise rendering invalid the Change of Law Protection Agreement.

Canada does not have any constitutional protection of property rights. While an adverse impact of statutory measures on private property has, in some circumstances, been judicially held to entitle property owners to compensation, such entitlements themselves can also be extinguished by legislation. Accordingly, if the provisions of the FHPA or the Regulations referenced in the previous paragraph were amended or revoked through subsequent legislative action of the Province of Ontario and future legislative action was also taken by the Province of Ontario that had the effect of voiding or otherwise rendering invalid the Change of Law Protection Agreement, a holder of Senior Notes may lose

some or all of their investment in the Senior Notes or experience significant delays in recovering their investment in the Senior Notes.

Future judicial action could reduce the value of a holder's investment in the Senior Notes.

The Investment Asset is the creation of the FHPA. There is uncertainty associated with investing in Senior Notes payable from an interest in an asset that depends on legislation for its existence because there is no juridical or regulatory experience implementing and interpreting the legislation or similar legislation in Canada. Because the Investment Asset is a creation of the FHPA, any judicial determination interpreting the FHPA or the Investment Asset might have an adverse effect on a holder of Senior Notes' investment in the Senior Notes.

Potential difficulties in enforcing civil liabilities against the Province of Ontario may arise.

Under the *Proceedings Against the Crown Act* (Ontario), the remedies of injunction and specific performance are not available against the Province of Ontario, although the remedy of damages is available.[53] Nothing in the Change of Law Protection Agreement or the Program Agreements affects the rights, protections and immunities of the Crown under the *Proceedings Against the Crown Act* (Ontario). As a result, if the Province of Ontario fails to comply with the Change of Law Protection Agreement, the Indenture Trustee's ability to obtain an effective remedy against the Province of Ontario is limited and holders of Senior Notes may lose some or all of their investments in the Senior Notes or experience significant delays in recovering their investments.[54]

Risks Associated with the Unusual Nature of the Investment Asset

Clean Energy Adjustments will not be payable until May 1, 2021 and until such time the IESO will be the sole source of funds for payment on the Senior Notes.

During the Moratorium Period, no Clean Energy Adjustments are permitted to be collected from Specified Consumers. During the Moratorium Period, a holder of Senior Notes must rely for payment of interest on the Senior Notes, and the Issuer must rely for payment of all of its other ~~carrying costs~~Carrying Costs, solely upon the IESO who is obligated under the Regulations to pay these ~~carrying costs~~Carrying Costs. The IESO has granted the Issuer a first-priority security interest in all its accounts receivable from Electricity Vendors, which includes the amounts receivable by the IESO from Electricity Vendors with respect to the global adjustment charge, as security for the performance of its regulatory obligation to pay the Issuer's ~~carrying costs~~Carrying Costs. The IESO also has a $2 billion unsecured credit facility agreement with the Ontario Financing Authority, expiring ■, 20■, which ~~can~~is permitted to be used to pay the Issuer's ~~carrying costs~~Carrying Costs. ***[NTD: IESO credit facility description to be confirmed.]***[55] There can be no assurance that the IESO will continue to have sufficient funds available to pay interest on the Senior Notes or to pay the Issuer's other ~~carrying costs~~Carrying Costs during the Moratorium Period. If the Issuer enforces the security granted to the Issuer by the IESO during this period, there can be no assurance that the IESO's accounts receivable from Electricity Vendors will be sufficient to pay interest on the Senior Notes or the Issuer's other ~~carrying costs~~Carrying Costs and a holder of Senior Notes may suffer material payment delay on the Senior Notes during the Moratorium Period.

The Issuer's ability to enforce security granted by the IESO may be significantly impaired or delayed.

Under various Canadian bankruptcy, insolvency and restructuring statutes or Canadian federal or provincial receivership laws, including the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the *Canada Business Corporations Act*, the *Winding-up and Restructuring Act*, and various provincial corporate statutes (collectively, "**Canadian Insolvency and Restructuring Laws**"), the Issuer's ability to enforce security granted by the IESO may be significantly impaired or delayed. In view of the broad discretionary powers of courts under Canadian Insolvency and Restructuring Laws, it is not possible to predict how long payments of

[53] **Note:** Consider mentioning that section 21 of the *Proceedings Against the Crown Act* (Ontario) prohibits execution, attachment and process against the Province.

[54] **Note:** Consider mentioning, as a mitigant, that section 22 of the *Proceedings Against the Crown Act* (Ontario), which states that "the Minister of Finance shall pay out of the Consolidated Revenue Fund the amount payable by the Crown, (a) under an order of a court that is final and not subject to appeal; (b) under a settlement of a proceeding in a court…".

[55] **Note:** Is there any other information to be added apart from the expiry date?

~~carrying costs~~Carrying Costs by the IESO or enforcement of any letter of credit or performance guarantee provided by the IESO could be delayed following commencement of a proceeding under Canadian Insolvency and Restructuring Laws by the IESO or whether or when the Issuer would be able to repossess or dispose of the assets over which it holds a security interest. Canadian Insolvency and Restructuring Laws also contemplate the granting of super priority security interests or charges (which could be in priority to the security of existing secured creditors) on the assets of the debtor company to secure the repayment of any amounts to be borrowed to facilitate the insolvency proceeding, any amounts owing for the fees and costs of professionals involved in the insolvency proceeding, obligations of directors of the company with respect to their statutory liabilities and sometimes other amounts.

Canadian Insolvency and Restructuring Laws also contain provisions enabling an obligor to prepare and file a proposal or a plan of arrangement or reorganization for consideration by all or some of its creditors, to be voted on by the various classes of creditors affected thereby. Such a restructuring proposal or plan of arrangement or reorganization, if accepted by the requisite majority of each class of affected creditors and if approved by the relevant Canadian court, would be binding on all creditors of the applicable obligor within the affected classes, including the Issuer, whether or not the Issuer votes in favour of the restructuring proposal or plan of arrangement or reorganization. Such a proposal or plan of arrangement or reorganization may have the effect of compromising certain rights available to the Issuer with respect to the payment of ~~carrying costs~~Carrying Costs or enforcement of any security provided by the IESO under the Master Transfer and Servicing Agreement.

A holder of Senior Notes may experience material payment delays because the source of funds for payment after the Moratorium Period is limited.

A holder of Senior Notes may suffer material payment delays on the Senior Notes if the collateral securing the Senior Notes is insufficient to pay the accrued interest on and the principal amount of those Senior Notes in full. During the Moratorium Period, a holder of Senior Notes must rely for payment of interest on the Senior Notes, and the Issuer must rely for payment of all of its other ~~carrying costs~~Carrying Costs, solely upon the IESO who is obligated under the Regulations to pay these ~~carrying costs~~Carrying Costs. After the Moratorium Period, the only source of funds for payments of interest on and principal of the Senior Notes will be the collateral. The collateral for the Senior Notes will include:

- the Investment Interest, including the right to impose, bill, collect and receive Clean Energy Adjustment amounts, inclusive of the True-up Amount;
- the cash and investments on deposit in the accounts held by the Indenture Trustee; and
- the Issuer's rights under various contracts described in this confidential shelf offering memorandum and under the FHPA and the Regulations.

The Senior Notes will not be insured or guaranteed by the Province of Ontario, the IESO, OPG or any of their respective affiliates, the Indenture Trustee or any other person or entity, except pursuant to the Limited Guarantee provided by the Province of Ontario upon the occurrence of a Protection Event and delivery by the Indenture Trustee to the Province of Ontario of a written payment demand. See *"Change of Law Protection Agreement"*. The Senior Notes will be ~~nonrecourse~~limited recourse obligations, secured only by the collateral. See *"Capital Markets Platform — Acceleration and Remedies — Limited Recourse"*. Delays in payment on the Senior Notes might result in a reduction in the market value of the Senior Notes and, therefore, the value of a holder's investment in the Senior Notes.

The Senior Notes do not constitute a debt, liability or other obligation of, or interest in, OPG or any of its other affiliates (other than the Issuer). The Senior Notes are not a debt, liability or ~~general~~other obligation of the Province of Ontario or any of its political subdivisions, agencies or instrumentalities. ~~However, insofar as the Province of Ontario or any such political subdivision, agency or instrumentality is a Specified Consumer, such governmental entity will be obligated, in its capacity as a Specified Consumer, to pay Clean Energy Adjustment amounts that will be collected and remitted to the Issuer in respect of its Investment Interest securing the Senior Notes.~~

A holder of Senior Notes must rely for payment of principal of and interest on the Senior Notes solely upon the FHPA and the Regulations, rights to enforcement of the FHPA, the Regulations and of various agreements described

in this confidential shelf offering memorandum, collections of Clean Energy Adjustment amounts and cash and investments on deposit in the related accounts held pursuant to the Master Trust Indenture.

The Clean Energy Adjustment may not be billed after April 30, 2047, unless further regulations to extend that date are passed.

The Clean Energy Adjustment may not be billed to Specified Consumers after April 30, 2047, unless further regulations to extend that date are passed. If Clean Energy Adjustment amounts billed through this period are not sufficient to repay the Senior Notes in full and further regulations to extend this date are not passed, apart from amounts in the capital accounts, if any, no other funds will be available to pay the unpaid balance due on the Senior Notes.

Foreclosure of the Indenture Trustee's lien on the Investment Interest securing the Senior Notes might not be practical and acceleration of the Senior Notes before maturity might have little practical effect.

Under the Master Trust Indenture, the Indenture Trustee on behalf of the holders of Senior Notes and other creditors has the right to foreclose or otherwise enforce the lien granted to the Indenture Trustee by the Issuer on the collateral securing the Senior Notes. However, in the event of foreclosure, there is likely to be a limited market, if any, for the collateral. Therefore, foreclosure might not be a realistic or practical remedy. Moreover, although principal of the Senior Notes will be due and payable upon acceleration of the Senior Notes before maturity, under the Regulations, the amount of the Clean Energy Adjustment may not be increased to take into account such acceleration (subject to limited exceptions depending on the Fair Allocation Amount at the time). As a result, this limitation on increases to the Clean Energy Adjustment at the time of any acceleration of the Senior Notes prior to maturity will result in principal of the Senior Notes being paid on acceleration as funds become available. However, upon such acceleration, the priority of principal payments to creditors of the Issuer will result in all accelerated Senior Notes being repaid in full before any further payments of principal are made to holders of subordinated indebtedness of the Issuer. In the event of an acceleration, holders of Senior Notes may be paid sooner or later than originally expected.

The Issuer may issue multiple Series of Senior Notes secured by the Investment Interest and some decisions affecting holders of Senior Notes may require the approval of all Series.

The Issuer may issue multiple Series of Senior Notes all of which will be secured by the collateral securing the Senior Notes. The Issuer may not issue additional Series of Senior Notes if the issuance would not satisfy the Rating Agency Condition and certain other conditions precedent in the Master Trust Indenture. See *"Capital Markets Platform — Conditions Precedent to Incurrence of Obligations Secured — Issuer Funding Obligations"*. If additional Series of Senior Notes are issued, Clean Energy Adjustment amounts collected by or for the benefit of the Issuer will be prorated among the Series of Senior Notes based on the respective amounts of interest and principal due and payable or required to be accumulated in respect of each Series of Senior Notes. Any issuance of additional Series of Senior Notes by the Issuer could cause reductions or delays in payment on the Senior Notes. In addition, some matters relating to the Senior Notes issued by the Issuer may require the vote of the holders of all Series of Senior Notes. The interests of holders of a particular Series of Senior Notes in these votes might conflict with the interests of the holders of another Series of Senior Notes. Thus, these votes could result in an outcome that is materially unfavorable to holders of a particular Series of Senior Notes.

The Master Trust Indenture contains Events of Default (other than those pertaining to the insolvency of the Issuer or invalidity of the Change of Law Protection Agreement) that can only be declared by Debtholders who hold at least 25% of the outstanding Controlling Class Obligations. If any such Event of Default has occurred and is continuing, Debtholders who hold at least 50% of the outstanding Controlling Class Obligations may accelerate all Issuer Funding Obligations (other than Derivative Funding Obligations). However, it is possible for individual Series of Senior Notes to have their own acceleration events such that those individual Series of Senior Notes may be accelerated while other Series of Issuer Funding Obligations would not be accelerated. In such a case, (i) the allocation of Available Collections to the holders of accelerated Series of Issuer Funding Obligations in a Class would be higher relative to the non-accelerated Series of Issuer Funding Obligations of that Class than it would otherwise be, and (ii) after payment in full of accelerated Senior Notes and other Senior Funding Obligations and once all amounts due and payable on non-accelerated Senior Notes and other Senior Funding Obligations have been satisfied on any principal payment date, amounts remaining for payment of principal would be allocated to the

repayment of principal on both accelerated and non-accelerated subordinated debt, as applicable. In certain cases, a declaration of acceleration or an automatic acceleration may also be rescinded by Extraordinary Resolution if (i) the Issuer has paid all overdue interest, principal that has become due (other than by reason of acceleration) on Controlling Class Obligations and other amounts set out in the Master Trust Indenture, and (ii) all Events of Default (other than non-payment of principal) have been cured or waived. See *"Capital Markets Platform — Acceleration and Remedies — General"*.

If a Series of Senior Notes or all Senior Notes are accelerated, a holder of Senior Notes might receive payment of principal sooner or later than expected.

Under certain circumstances it is possible that all outstanding Senior Notes will be accelerated as a Class or that certain Series of Senior Notes will be accelerated while other Series of Senior Notes will not be accelerated. See *"Capital Markets Platform – Acceleration and Remedies"*. The possibility of certain Series of Senior Notes accelerating while other Series of Senior Notes do not accelerate would arise if (i) an Event of Default occurs but Noteholders holding at least 50% of all outstanding Senior Notes do not approve the acceleration of all outstanding Senior Notes, and (ii) holders of Senior Notes of a particular Series approve the acceleration of the Senior Notes of that Series by the requisite majority of holders of that Series as set out in the applicable supplemental indenture for that Series.

If all Senior Notes are accelerated the application of available funds will be as described under *"Capital Markets Platform ~~—~~ Acceleration and Remedies"* for all Senior Notes. It is possible that holders of 50% or more of the outstanding principal balance of all Senior Notes will approve the acceleration of all Senior Notes even if holders of a particular Series of Senior Notes do not vote in favour of the acceleration of the Senior Notes of that Series.

If only certain Series of Senior Notes are accelerated, then the outstanding principal balance of those Series of Senior Notes will become immediately due and payable but the payment due dates of those Series of Senior Notes that have not been accelerated will not change. In this case, the application of available funds will continue as described under *"Capital Markets Platform -- Payment Waterfalls Prior to Acceleration"*.

Where all Series of Senior Notes or only certain Series of Senior Notes are accelerated, available funds that would otherwise be used to pay the principal amount of subordinated indebtedness will be applied to repay principal of the accelerated Senior Notes. This could result in a holder of Senior Notes that have been accelerated receiving payment of principal sooner than expected. If a Series of Senior Notes has not been accelerated, the payment of principal on such Senior Notes should not occur earlier than expected as the payment due dates for such Senior Notes will not have been accelerated.

Where all Series of Senior Notes or only certain Series of Senior Notes are accelerated, available funds that would otherwise be used to pay the principal amount of the Senior Notes in accordance with the original repayment schedules of such Senior Notes may be applied to repay principal of the accelerated Senior Notes *pari passu* with the principal due on all outstanding Senior Notes (subject to the payment priority given to Warehouse Funding Obligations). If accelerated Senior Notes were not expected to be repaid before a particular Series of Senior Notes at the time the accelerated Senior Notes were issued, the acceleration of such Senior Notes could result in the holder of a particular Series of Senior Notes receiving payment of principal later than expected.

The Issuer may have a co-ownership interest in the Investment Asset with other Financing Entities.

The FHPA authorizes the establishment of one or more Financing Entities that may incur Funding Obligations for the purpose of acquiring an Investment Interest. The Master Trust Indenture does not contain any restrictions on the establishment of other Financing Entities or any restrictions on the transfer by the IESO of a specified portion of the Regulatory Asset to other Financing Entities. If additional Funding Obligations are incurred by other Financing Entities to acquire an Investment Interest, Clean Energy Adjustment amounts collected by or for the benefit of the Issuer will be prorated among all Investment Interest owners based on the respective amounts of Clean Energy

Adjustment amounts invoiced and not yet paid. Any issuance of Funding Obligations by other Financing Entities could cause reductions or delays in payment on the Senior Notes.[56]

If the Clean Energy Adjustment amounts and other funds held in the Issuer Accounts results in investment losses or the investments become illiquid, a holder of Senior Notes might receive payment of principal of and interest on the Senior Notes later than expected.

Funds held in the Issuer Accounts will be invested in Eligible Investments. Eligible Investments include, among other categories, money market funds having a rating in the highest investment category from each applicable Rating Agency. Although investments in these money market funds have traditionally been viewed as highly liquid with a low probability of principal loss, illiquidity and principal losses have been experienced by investors in certain of these funds as a result of disruptions in the financial markets in recent years. If investment losses or illiquidity are experienced, a holder of Senior Notes might experience a delay in payments of principal and interest and a decrease in the value of their investment in the Senior Notes.

Servicing, Operating and Consumer Risks

Payments on the Senior Notes depend on the performance of Electricity Vendors and the IESO.

The Issuer's receipt of Clean Energy Adjustment amounts, which will be used to make payments on the Senior Notes, will depend in part on the skill and diligence of Electricity Vendors and the IESO and their respective successors in performing their respective duties under the FHPA, the Regulations and, with respect to the IESO, the Master Transfer and Servicing Agreement.

The FHPA, the Regulations and the Program Agreements impose new duties and obligations of the IESO and Electricity Vendors. There can be no assurances that the new duties and obligations of the IESO and the Electricity Vendors will be assumed and implemented without difficulty and in accordance with the provisions of the FHPA, the Regulations and the Program Agreements. If the IESO ceases to perform, or inadequately performs, its collection, remittance, forecasting and other functions under the terms of the FHPA, the Regulations and the Master Transfer and Servicing Agreement, it might be difficult to enforce these obligations against the IESO. While the Indenture Trustee has the right to replace the IESO, as servicer, on an Event of Default upon receipt of an Ordinary Resolution, it might be difficult to find a replacement for the IESO or a successor servicer. Also, any successor servicer might have less experience and ability than the IESO and might experience difficulties in collecting Clean Energy Adjustment amounts or forecasting consumption, resulting in delays or disruptions to the setting and collection of the Clean Energy Adjustment. Any successor servicer would likely charge fees for the provision of such services and such fees could be material.

If an Electricity Vendor or the IESO fails to collect or remit sufficient Clean Energy Adjustment amounts for any reason, then the IESO's payments to the Issuer in respect of the Clean Energy Adjustments might be delayed or reduced. In that event, payments on the Senior Notes might be delayed or reduced. In addition, any person into which the IESO may be merged, converted or amalgamated or that may succeed to the properties and assets of the IESO substantially as a whole will assume the role of servicer under the Master Transfer and Servicing Agreement, subject only to the satisfaction of the conditions set forth therein. These conditions do not include either the consent of holders of Senior Notes or satisfaction of the Rating Agency Condition.

Payments on the Senior Notes depend on the performance of OPG as Financial Services Manager and as Manager of the Issuer.

The FHPA, the Regulations and the Program Agreements impose new duties and obligations of OPG, as Financial Services Manager and as Manager of the Issuer. There can be no assurances that the new duties and obligations of OPG will be assumed and implemented without difficulty and in accordance with the provisions of the FHPA, the Regulations and the Program Agreements. If OPG, as Financial Services Manager, ceases to perform, or inadequately performs, its statutory duties under the FHPA and the Regulations, including determining the Clean

[56] **Note:** Consider explaining under this risk factor that the Investment Asset is a bundle of rights and interests held collectively by all investment interest owners.

Energy Adjustment (inclusive of the True-Up Amount), the Indenture Trustee will have no right to replace OPG as Financial Services Manager. If OPG ceases to perform, or inadequately performs, its management duties under the Management Agreement, the Indenture Trustee has the right to replace the Manager on an Event of Default upon receipt of an Ordinary Resolution but it might be difficult to find a replacement for OPG or a successor manager. Also, any successor manager might have less experience and ability than OPG, resulting in delays or disruptions to the setting and collection of the Clean Energy Adjustment. Any successor manager would likely charge fees for the provision of such services and such fees could be materially higher than the fees charged by OPG.

Inaccurate consumption forecasting or unanticipated delinquencies or write-offs might reduce or delay scheduled payments on the Senior Notes.

Clean Energy Adjustment amounts will be calculated in part based upon a forecast of Specified Consumer usage to be newly developed by the IESO[, adjusted for expected billing lags and charge-offs] [including the effect of delinquencies and write-offs] ***[Confirm whether the IESO forecast takes into account items noted in square brackets.]***. Under the ~~FHPA~~Regulations, the IESO is required to provide to the OEB forecast information regarding electricity consumption of Specified Consumers. The amount and the rate of the Clean Energy Adjustment will depend in part on actual electricity usage and the amount of collections and write-offs for Specified Consumers.[57] If the IESO or a successor inaccurately forecasts electricity consumption or if OPG uses inaccurate consumer delinquency or write-off data when setting or adjusting the Clean Energy Adjustment, there could be a shortfall or material delay in collections, which might result in missed or delayed payments of principal and interest on the Senior Notes.

Inaccurate forecasting of electricity consumption by the IESO might result from, among other things unanticipated weather, resulting in less electricity consumption than forecast; general economic conditions being worse than expected, causing Specified Consumers to reduce their electricity consumption; the occurrence of a natural disaster, wind storm or an act of terrorism, cyber-attack or other catastrophic event unexpectedly disrupting electrical service and reducing electricity consumption; unanticipated changes in the market structure of the electric industry; Specified Consumers unexpectedly ceasing business or departing from the Province of Ontario; dramatic and unexpected changes in energy prices resulting in decreased electricity consumption; Specified Consumers consuming less electricity than anticipated because of increased energy prices, unanticipated increases in conservation efforts or unanticipated increases in electricity consumption efficiency; differences or changes in forecasting methodology; or Specified Consumers switching to alternative sources of energy, including self-generation or co-generation of electric power in some cases without using Ontario's transmission or distribution system. Self-generators that receive no transmission or distribution service from the Province of Ontario are not liable for the Clean Energy Adjustment. Neither the FHPA nor the Regulations require exit fees to be charged to any Specified Consumers that might leave the grid to self-generate.

Inaccurate forecasting of delinquencies or write-offs by OPG could result from, among other things unexpected deterioration of the economy, the occurrence of a natural disaster, an act of war or terrorism or other catastrophic events causing greater write-offs than expected or forcing Electricity Vendors to grant additional payment relief to Specified Consumers; the failure of Electricity Vendors to submit accurate and timely information to the IESO regarding their collections and write-offs; an unexpected change in law that makes it more difficult for Electricity Vendors to terminate service to nonpaying Specified Consumers, or that requires Electricity Vendors to apply more lenient credit standards for Specified Consumers.

Changes to billing and collection practices may reduce the amount of funds available for payments on the Senior Notes.

The methodology for determining the amount of the Clean Energy Adjustment invoiced to each Specified Consumer is specified in the FHPA and the Regulations. None of OPG, the IESO or any Electricity Vendor, as it performs its billing and collection functions on the Issuer's behalf, may change this methodology. However, subject to applicable law, tariff and regulatory requirements, billing and collection arrangements with each Specified Consumer may be changed in a manner that delays or reduces the payments to the Issuer in respect of the Clean Energy Adjustment. For example, an Electricity Vendor's conditions of service may permit it to offer equal monthly billing plans to its

[57] **Note:** Please confirm.

consumers thereby delaying payments from one month to the next during the year or to enter into arrangements for the payment of arrears. In that event, collection of the Clean Energy Adjustment may be delayed or reduced until an adjustment is made.

Limits on rights to terminate service to Specified Consumers might make it more difficult to collect the Clean Energy Adjustment.

To the extent that Specified Consumers do not pay for their electricity service, Electricity Vendors will not be able to collect the Clean Energy Adjustment from these Specified Consumers. Electricity Vendors have the ability to terminate service for non-payment subject to the terms of their conditions of service, which conditions must be consistent with the OEB's rules regarding disconnection. Under OEB rules, Electricity Vendors are prohibited from disconnecting or threatening to disconnect homes for non-payment during the winter from November 15 to April 30 every year. Historical rates of non-payment are included in the calculations of the Clean Energy Adjustment, but increases in the rates of non-payment would reduce the Clean Energy Adjustment until it is adjusted through the True-up Amount in a subsequent Reference Period.

It might be difficult for the Issuer to collect the Clean Energy Adjustment from Specified Consumers

Under the FHPA, the Issuer may bring an action against a Specified Consumer for non-payment of the Clean Energy Adjustment, but only an Electricity Vendor may terminate service for failure to pay the Clean Energy Adjustment.[58] The FHPA provides that partial payment of electricity invoices shall be allocated pro rata among the Clean Energy Adjustment and other charges on the invoice. Since the Issuer does not have the threat of termination of service available to enforce payment of the Clean Energy Adjustment, it would need to rely on the Electricity Vendor to threaten to terminate service for nonpayment of other portions of the electricity invoice. This inability might reduce the value of a holder's investment in the Senior Notes.

Indemnification obligations of OPG and the IESO are limited and might not be sufficient to protect the investments in the Senior Notes.

OPG will be obligated under the Management Agreement to indemnify the Issuer and the Indenture Trustee, for itself and on behalf of the holders of Senior Notes and other creditors, only in specified circumstances. Likewise, the IESO will be obligated under the Master Transfer and Servicing Agreement and the Acknowledgement and Indemnity Agreement to indemnify the Issuer and the Indenture Trustee, for itself and on behalf of the holders of Senior Notes and other creditors, only in specified circumstances.

Furthermore, neither OPG nor the IESO may have sufficient funds available to satisfy its indemnification obligations, and the amount of any indemnification paid by OPG or the IESO, as applicable, might not be sufficient for holders of Senior Notes to recover all of their investment in the Senior Notes. In addition, if OPG or the IESO becomes obligated to indemnify holders of Senior Notes, the ratings on the Senior Notes might be downgraded as a result of the circumstances causing the breach and the fact that holders of Senior Notes will be unsecured creditors of OPG or the IESO, as applicable, with respect to any of these indemnification amounts. Neither OPG nor the IESO will indemnify any person for any loss, damages, liability, obligation, claim, action, suit or payment resulting solely from a downgrade in the ratings on the Senior Notes, or for any consequential damages, including any loss of market value of the Senior Notes resulting from a default or a downgrade of the ratings of the Senior Notes.

Delinquent or partial payments of electricity bills may make payments on the Senior Notes occur later than expected.

The amount and the rate of collection of the Clean Energy Adjustment, including the True-up Amount, will impact whether there is a delay in the scheduled payments on the Senior Notes. If the Clean Energy Adjustment amounts are collected at a slower rate than expected, OPG might have to make adjustments to the Clean Energy Adjustment for a subsequent Reference Period through the True-Up Amount. If those adjustments are not timely and accurate, there may be a delay in payments of principal and interest and a decrease in the value of the Senior Notes.

[58] **Note:** Please confirm source/ conform to wording in FHPA.

Power outages could impair payment of the Senior Notes.

Ontario experiences seasonal conditions typical of southeastern Canada. Summers are usually hot with high temperatures in excess of 20°C. Winters include snow and icing conditions that can be damaging to overhead power lines. Transmission and/or distribution and generation facilities could be damaged depending on weather conditions and usage of electricity could be interrupted temporarily or for long periods of time, reducing the Clean Energy Adjustment amounts collected in one or more Reference Periods.

Technological changes that make alternative energy sources more attractive in the future or significant population fluctuations may result in fewer Specified Consumers from whom to collect the Clean Energy Adjustment.

Technological developments and/or tax or other economic incentives might result in the introduction of economically attractive, more fuel-efficient, more environmentally-friendly and/or more cost-effective alternatives to purchasing electricity through Electricity Vendors for increasing numbers of Specified Consumers. Manufacturers of self-generation facilities may develop smaller-scale, more fuel-efficient on-site generating and/or storage units that can be cost-effective options for a greater number of Specified Consumers. Moreover, an increase in self-service power may result if extreme weather conditions result in regular shortages of grid-supplied energy or if other factors cause grid-supplied energy to be less reliable. Specified Consumers who self-generate their electricity may use it to offset, or eliminate, their consumption from the grid thereby reducing, or eliminating, the Clean Energy Adjustment amounts payable by such Specified Consumers. Technological developments might allow greater numbers of Specified Consumers to reduce or even altogether avoid the payment of Clean Energy Adjustment amounts under such provisions through on-site generation, including where coupled with on-site storage capacity. This might reduce the kilowatt-hours of electric energy delivered to Specified Consumers by means of an Electricity Vendor's system, thereby causing Clean Energy Adjustment charges to the remaining Specified Consumers to increase. Such increases may reduce the collectability of the Clean Energy Adjustment.

Unexpected significant population decreases in the Province of Ontario or Specified Consumers unexpectedly ceasing business or departing from the Province of Ontario may adversely affect the amount of the Clean Energy Adjustment to be invoiced, collected and recovered from Specified Consumers. The decrease in the population of the Province of Ontario may result in fewer Specified Consumers from whom to collect the Clean Energy Adjustment. The increased impact on the remaining Specified Consumers could lead to increased potential consumer defaults and delays, billing lags and write-offs or variations in billing due to variations in electricity consumption.

Insolvency-Related Risks

If the Issuer were to become subject to Canadian Insolvency and Restructuring Laws, the Indenture Trustee's ability to enforce security granted by the Issuer may be significantly impaired or delayed.

Trusts such as the Issuer ordinarily cannot seek protection under the principal Canadian Insolvency and Restructuring Laws (other than a receivership). However, in view of the broad discretionary powers of courts under Canadian Insolvency and Restructuring Laws, the courts' inherent jurisdiction and otherwise, it is not possible to state with certainty that the Issuer could not become subject to Canadian Insolvency and Restructuring Laws. If the Issuer were to become subject to Canadian Insolvency and Restructuring Laws, the Indenture Trustee's ability to enforce security granted by the Issuer may be significantly impaired or delayed. It is not possible to predict how long payments under the Senior Notes could be delayed following commencement of a proceeding under Canadian Insolvency and Restructuring Laws by the Issuer or whether or when the Indenture Trustee would be able to enforce upon or dispose of the assets over which it holds a security interest. Canadian Insolvency and Restructuring Laws also contemplate the granting of super priority security interests or charges (which could be in priority to the security of existing secured creditors) on the assets of the debtor company to secure the repayment of any amounts to be borrowed to facilitate the insolvency proceeding, any amounts owing for the fees and costs of professionals involved in the insolvency proceeding, obligations of directors of the company with respect to their statutory liabilities and sometimes other amounts.

Canadian Insolvency and Restructuring Laws also contain provisions enabling an obligor to prepare and file a proposal or a plan of arrangement or reorganization for consideration by all or some of its creditors, to be voted on by the various classes of creditors affected thereby. Such a restructuring proposal or plan of arrangement or

reorganization, if accepted by the requisite majority of each class of affected creditors and if approved by the relevant Canadian court, would be binding on all creditors of the applicable obligor within the affected classes, including the Indenture Trustee and the Noteholders, whether or not the Indenture Trustee or any holders of Senior Notes votes in favour of the restructuring proposal or plan of arrangement or reorganization. Such a proposal or plan of arrangement or reorganization may have the effect of compromising certain rights available to the Indenture Trustee and the holders of Senior Notes under the Master Trust Indenture or in respect of the collateral.

If the IESO were to become subject to Canadian Insolvency and Restructuring Laws, the transfers between the IESO and the Issuer pursuant to the Master Transfer and Servicing Agreement may not be respected as true sales of the Investment Interest.

Ordinarily, the interests of the Issuer as transferee of the Investment Interest may be subordinate to statutory deemed trusts and other non-consensual liens, trusts and claims created or imposed by statute or rule of law on the property of the IESO arising prior to the time an Investment Interest is transferred to the Issuer, which could reduce the amounts that may be available to the Issuer and, consequently, the holders of Senior Notes. Section 27(3) of the FHPA provides that at the time of the transfer to a Financing Entity under the FHPA, such transfer shall be deemed to have been perfected, vested, valid and binding against the IESO and all other persons who have claims of any kind against the IESO. Section 27(4) of the FHPA provides that section 27(3) applies regardless of whether the persons who have claims have received notice of the transfer and the property rights and interests acquired by the transferee shall have priority over any liens in favour of those persons. However, in the event that the IESO becomes insolvent, its insolvency would be subject to federal bankruptcy and insolvency legislation and the effect of these provisions of the FHPA in such circumstances is untested. The IESO will treat the transactions described herein as a transfer of the Regulatory Asset to the Issuer. Such transfers will be made in accordance with Section 26 of the FHPA. Section 27(1) of the FHPA provides that a transfer of a specified portion of the Regulatory Asset under section 26 constitutes a valid and enforceable absolute assignment, conveyance and sale of the corresponding Investment Interest to the transferee. As a transfer, the Investment Interest would not form part of the assets of the IESO and would not be available to the creditors of the IESO. However, with respect to certain insolvency events relating to the IESO, it is possible that an insolvency administrator or a creditor of the IESO may attempt to argue that the transactions between the IESO and the Issuer are not true sales of the Investment Interest. This position, if accepted by a court applying federal bankruptcy and insolvency laws, could prevent timely or ultimate payment of amounts due to the Issuer and, consequently, due from the Issuer to holders of Senior Notes.

These risks are in addition to the insolvency risks of the IESO noted above under *"Risks Associated with the Unusual Nature of the Investment Asset"*.

If the IESO or any Electricity Vendor were to become subject to Canadian Insolvency and Restructuring Laws, collections that have been commingled may be unrecoverable and the Issuer's ability to enforce its rights against the IESO may be significantly impaired or delayed.

While the IESO is the servicer under the Master Transfer and Servicing Agreement, collections held by the IESO are to be held by the IESO in a segregated account. Until Clean Energy Adjustments are remitted to the IESO by Electricity Vendors, amounts collected by the Electricity Vendors are to be held by Electricity Vendors in segregated accounts. If the IESO or any Electricity Vendor fails to hold collections in a segregated account, then to the extent that funds are commingled and used for the benefit of the IESO or such Electricity Vendor prior to making required deposits, in the event of the liquidation, insolvency, receivership or administration or other proceeding under Canadian Insolvency and Restructuring Laws of the IESO or the Electricity Vendor, the ability of the Issuer to enforce its rights to the collections in a timely manner may be adversely affected and collections that have been commingled may be unrecoverable. In the event of the insolvency of the IESO, the right of the Issuer under the Master Transfer and Servicing Agreement to appoint a replacement servicer may be stayed or prevented.

These risks are in addition to the insolvency risks of the IESO noted above under *"Risks Associated with the Unusual Nature of the Investment Asset"*.

If OPG were to become subject to Canadian Insolvency and Restructuring Laws, the Issuer's ability to enforce its rights against the Manager may be significantly impaired or delayed and the Issuer's assets and liabilities may be substantively consolidated with those of OPG.

Section 53.1 of the *Electricity Act, 1998* (Ontario), as amended by the FHPA, provides that, regardless of whether a Financing Entity is or is not a subsidiary of OPG: (a) the assets and liabilities of the Financing Entity shall not form part of the assets and liabilities of OPG or any of its subsidiaries (excluding the Financing Entity if it is a subsidiary); and (b) the assets and liabilities of OPG or any of its subsidiaries (excluding the Financing Entity if it is a subsidiary) shall not form part of the assets and liabilities of the Financing Entity. However, in the event that OPG becomes insolvent, its insolvency would be subject to federal bankruptcy and insolvency legislation and the effect of these provisions of the *Electricity Act, 1998* (Ontario), as amended by the ~~FHPA,~~*Fair Hydro Act, 2017*,[59] in such circumstances is untested. In particular, in the event of the liquidation, insolvency, receivership or administration or other proceeding under Canadian Insolvency and Restructuring Laws of OPG, the ability of the Issuer to enforce certain of its rights in and to the Investment Interest in a timely manner may be adversely affected. Such affected rights may include the right to appoint a replacement Manager. It is possible that the creditors of OPG may attempt to substantively consolidate the assets and liabilities of OPG and the Issuer. The Issuer and OPG have taken steps to minimize this risk. However, no assurance can be given that, in the case of the insolvency of OPG, a court would not order that the Issuer's assets and liabilities be substantively consolidated with those of OPG. Such substantive consolidation would result in all creditors of OPG and the Issuer being paid out of a common pool of assets, with no distinction as to which assets are property of OPG and which assets are property of the Issuer, and could cause payment of the claims of the beneficial owners of the Senior Notes to be subject to substantial delay and to adjustment in timing and amount.

If the Issuer Trustee were to become subject to Canadian Insolvency and Restructuring Laws, the assets and liabilities of the Issuer may be substantively consolidated with the Issuer Trustee.

In the case of the insolvency of the Issuer Trustee, it is possible that the creditors of the Issuer Trustee may attempt to argue that the assets of the Issuer are held by the Issuer Trustee in its personal capacity (and not as trustee of the Issuer) and are to be available to the creditors of the Issuer Trustee. Assuming that the Issuer Trustee deals with the assets of the Issuer in accordance with the provisions of the Declaration of Trust, the assets of the Issuer would not constitute property of the Issuer Trustee available for distribution to the creditors of the Issuer Trustee. An insolvency administrator appointed with respect to the Issuer Trustee may be able to recover from the property of the Issuer a portion of its costs that are incurred until a replacement for the Issuer Trustee, as trustee of the Issuer, is appointed or pending any proceeding in respect of the property of the Issuer. Such costs may exceed the compensation provided for in the Declaration of Trust.

If a Specified Consumer were to become subject to Canadian Insolvency and Restructuring Laws, the Issuer's ability to collect Clean Energy Adjustment amounts from such Specified Consumer may be adversely affected.

The application to a Specified Consumer of Canadian Insolvency and Restructuring Laws and related provincial laws could also affect the ability to collect the Clean Energy Adjustments due for the period prior to the insolvency. Federal bankruptcy laws would generally discharge bankrupt Specified Consumers who are individuals of their obligation to pay Clean Energy Adjustment amounts due for the period prior to the individual being discharged from bankruptcy.

If amounts in the Issuer Accounts for any Series are invested with entities that become subject to insolvency proceedings, the Issuer's ability to make payments to holders of Senior Notes may be adversely affected.

Amounts that are on deposit from time to time in the Issuer Accounts for any Series may be invested in Eligible Investments. If insolvency proceedings were to be commenced by or against any entity with which an Eligible Investment is made or which is an issuer, obligor or ~~guarantee~~guarantor of any Eligible Investment, the ability of the Indenture Trustee to enforce its rights in respect of any such Eligible Investment and the ability of the Issuer to make payments to holders of Senior Notes in a timely manner may be adversely affected. In order to reduce this risk, the Eligible Investments must satisfy certain ratings criteria. See *"Rating Agency Condition"*.

[59] The *Fair Hydro Act, 2017* (Ontario), which provided in Schedule 1 the *Ontario Fair Hydro Plan Act, 2017*, amends two other statutes: the *Electricity Act, 1998* (see section 43) and the *Ontario Energy Board Act, 1998* (see section 44).

Other Risks

The credit ratings are not an indication of the expected rate of payment of principal on the Senior Notes.

The Senior Notes will be rated by one or more established rating agencies. A rating is not a recommendation to buy, sell or hold the Senior Notes. The ratings merely analyze the probability that the Issuer will repay the total principal amount of each series of Senior Notes at its final principal payment date (which is later than the Principal Payment Date(s)) and will make timely interest payments. The ratings are not an indication that the rating agencies believe that principal payments are likely to be paid on time according to any expected sinking fund schedule. Thus, the Issuer might repay the principal of a holder of Senior Notes later than expected, which might materially reduce the value of a holder's investment in the Senior Notes.

If the ratings on the Senior Notes are withdrawn or revised downward, the value of a holder's investment in the Senior Notes may be adversely affected.

There is no assurance that any credit rating will remain in effect for any given period of time. The ratings on the Senior Notes may be withdrawn or revised downward at any time without notice, which may have an adverse effect on the market price of the Senior Notes. A rating is not a recommendation to buy, sell or hold the Senior Notes. The ratings merely analyze the probability that the Issuer will repay the total principal amount of each series of Senior Notes at its final principal payment date (which is later than the Principal Payment Date(s)) and will make timely interest payments. The ratings are not an indication that the rating agencies believe that principal payments are likely to be paid on time according to any expected sinking fund schedule. Ratings on the Senior Notes may be lowered, qualified or withdrawn at any time without notice.

The credit ratings of the IESO, OPG and the Province of Ontario might affect the market value of the Senior Notes.

The Senior Notes will not be insured or guaranteed by the Province of Ontario, IESO, OPG or any of their respective affiliates or any other person or entity, except that the Province of Ontario has agreed to provide a limited guarantee in respect of the Senior Notes following the occurrence of certain events. See *"Change of Law Protection Agreement"*. Although neither the IESO nor OPG are obligors in respect of the Senior Notes, a downgrading of the current credit ratings of the IESO, OPG or the Province of Ontario might have an adverse effect on the market value of the Senior Notes, particularly, with respect to the IESO, during the Moratorium Period when no Clean Energy Adjustments are permitted to be collected from Specified Consumers. Credit ratings might change at any time. A rating agency has the authority to revise or withdraw its rating based solely upon its own judgment.

The absence of an established market for the Senior Notes might limit the ability to resell or refinance the Senior Notes.

There is no public market for the Senior Notes, and the Issuer does not intend to apply for a listing of the Senior Notes on any stock exchange. There can be no assurance as to the liquidity of the trading market for the Senior Notes or that a trading market for the Senior Notes will develop.

There is currently no secondary market for the Senior Notes. There can be no assurance that a secondary market will develop or, if a secondary market does develop, that it will provide holders of such Senior Notes with liquidity for their investment or that it will continue for the term of such Senior Notes. Accordingly, purchasers of the Senior Notes may be required to bear the financial risk of investing in the Senior Notes until the maturity date of the Senior Notes.

If an active market does develop for the Senior Notes, the market price on the Senior Notes will depend on many factors including, but not limited to, (i) the Issuer's credit rating and the credit rating of the Senior Notes; (ii) the prevailing interest rates being paid on similar securities; (iii) the Issuer's financial condition and future prospects; and (iv) the overall condition of the economy and the financial markets. The condition of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations could have an adverse effect on the market price of the Senior Notes.

The Financial Services Manager has the ability to determine whether to refinance Senior Notes maturing after May 2024 through the issuance of another Series of Senior Notes. However, there can be no assurance that Senior Notes can be refinanced on or before their applicable Principal Payment Default Date.

Restrictions on resale might limit the ability to resell the Senior Notes.

The Senior Notes may not be offered or sold, directly or indirectly, in Canada or to or for the account of any Canadian resident except, in the case of sales made in any province of Canada, pursuant to an exemption from the prospectus requirements under applicable securities laws. The Issuer currently does not intend to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Senior Notes to the public in any province of Canada in connection with any Offering of Senior Notes. As a result, the Senior Notes purchased pursuant to this confidential shelf offering memorandum will be subject to restrictions on resale, and may only be resold if a further statutory exemption may be relied upon by the investor or if an appropriate discretionary order or consent is obtained pursuant to applicable securities laws. See "Restrictions on Resale".

REPRESENTATIONS AND AGREEMENTS OF PURCHASERS

The distribution of the Senior Notes in Canada is being made on a private placement basis. By purchasing Senior Notes and accepting a purchase confirmation in respect thereof, a purchaser in Canada will be deemed to have represented to the Issuer and the Agents that, as at the date of such purchaser's purchase of Senior Notes:

(a) none of the Issuer, the Agents or any person representing the Issuer or the Agents has made any representations to it (written or oral) with respect to the Issuer, any Offering or sale of the Senior Notes, other than the information contained in this confidential shelf offering memorandum which has been delivered to it;

(b) it is resident in a province of Canada (each an "**Offering Jurisdiction**") and is entitled under applicable securities laws of such Offering Jurisdiction to purchase the Senior Notes without the benefit of a prospectus qualified under those securities laws and any act, solicitation, conduct or negotiation directly or indirectly in furtherance of such purchase and sale has occurred only in one of the provinces of Canada;

(c) the purchaser has been provided the opportunity to receive a copy of the Master Trust Indenture and each of the Supplemental Indentures;

(d) the purchaser has reviewed and acknowledges the terms referred to below under the section entitled "Restrictions on Resale";

(e) it is basing its investment decision solely on this confidential shelf offering memorandum and not on any other information or statement concerning the Issuer or any Offering and it has not become aware of any advertisement in printed media of general and regular paid circulation (or other printed public media), radio, television or telecommunications or other form of advertisement (including electronic display) with respect to the distribution of the Senior Notes;

(f) it has been independently advised as to restrictions with respect to trading in the Senior Notes imposed by applicable securities laws in the jurisdiction in which it resides, confirms that no representation (written or oral) has been made to it by or on behalf of the Issuer or an Agent with respect thereto, acknowledges that it is aware of the characteristics of the Senior Notes, the risks relating to an investment in the Senior Notes and of the fact that it may not be able to resell the Senior Notes except in accordance with limited exemptions under applicable securities legislation and regulatory policy and compliance with the other requirements of applicable law; and it agrees that any certificates representing the Senior Notes will bear a legend indicating that the resale of such Senior Notes is restricted; the purchaser further acknowledges that it has been advised to consult its own legal counsel in its jurisdiction of residence for full particulars of the resale restrictions applicable to it and has reviewed and acknowledges the terms referred to under the

heading "Restrictions on Resale"; and the purchaser further acknowledges that if it resells the Senior Notes in compliance with applicable law it will give notice to the subsequent transferee during the restricted period noted under the heading "Restrictions on Resale" of such restrictions;

(g) it acknowledges the risks relating to an investment in the Senior Notes and it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its prospective investment in the Senior Notes, it and any accounts for which it is acting have the ability to bear the economic risks of the prospective investment and can afford the complete loss of such investment and it acknowledges that it and any accounts for which it is acting may be required to bear the financial risks of this investment for an indefinite period of time;

(h) it acknowledges that: (i) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Senior Notes; and (ii) there is no government or other insurance covering the Senior Notes;

(i) it acknowledges that no person has made any oral or written representation to it that any person will re-sell or re-purchase the Senior Notes, or refund any part or all of the purchase price of the Senior Notes, or that the Senior Notes will be listed on any exchange or quoted on any quotation and trade reporting system, or that any application has been or will be made to list the Senior Notes on any exchange or quote the notes on any quotation and trade reporting system, and no person has given any undertaking to such purchaser relating to the future value or price of the Senior Notes;

(j) none of the funds being used to purchase the Senior Notes are, to the best of the purchaser's knowledge, (i) proceeds obtained by or derived, directly or indirectly, as a result of illegal activities, or (ii) being tendered on behalf of a person or entity who has not been identified to the purchaser;

(k) the funds being used to purchase the Senior Notes and advanced by or on behalf of the purchaser to the Agents do not represent proceeds of crime for the purposes of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada);

(l) the purchaser is responsible to obtain independent investment, legal and tax advice with respect to its purchase of the Senior Notes and accordingly has had the opportunity to acquire an understanding of the transaction described in this confidential shelf offering memorandum and the meanings of all the terms contained herein relevant to such purchase for the purpose of giving acknowledgements, representations and agreements under this confidential shelf offering memorandum;

(m) it (i) is an "accredited investor" (as such term is defined in NI 45-106 and, in the case of a purchaser resident in Ontario, section 73.3(1) of the *Securities Act* (Ontario)) that is not an individual, unless such individual is also a "permitted client" (as such term is defined in NI 31-103); (ii) is either (A) purchasing the Senior Notes as principal, (B) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation of a jurisdiction of Canada (other than a trust company or trust corporation registered solely under the laws of the Province of Prince Edward Island) or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be, or (C) a person acting on behalf of a fully managed account managed by that person, if that person is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or foreign jurisdiction; and (iii) was not created or used solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the definition of "accredited investor" in NI 45-106;

(n) the purchaser has provided applicable certifications and/or other information or documentation to the Agents and the Issuer to evidence its status and criteria for compliance with the relevant category of "accredited investor," understands that the Agents and the Issuer may be required to

verify that the purchaser satisfies such criteria, and that the purchaser may be required to provide additional information or documentation to the Agents and the Issuer to evidence such compliance;

(o) the purchaser, if resident in the Province of Québec, has agreed that all documents relating to such purchase be in English only, as more particularly described under the heading "Language of Documents". *L'acquéreur, s'il réside dans la Province de Québec, accepte que tous les documents liés à son acquisition soient en langue anglaise uniquement, tel qu'il est plus amplement décrit sous la rubrique «Langue des documents»*;

(p) it will execute, deliver and file such reports, undertakings and other documents relating to his, her or its purchase of the Senior Notes as may be required by applicable securities laws, regulations and rules, or assist the Issuer and the Agents, as applicable, in obtaining and filing such reports, undertakings and other documents;

(q) it is not a U.S. person (as such term is defined in Regulation S under the U.S. Securities Act), none of the Senior Notes are being or will be acquired, directly or indirectly, for the account or benefit of a U.S. person, the purchaser was not offered any of the Senior Notes in the United States, the purchaser did not execute or deliver any agreement in connection herewith in the United States, and the purchaser is aware that the Senior Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any State of the United States and that the Senior Notes may not be offered or sold in the United States without registration under the U.S. Securities Act or except in compliance with the requirements of an exemption from registration;

(r) if the purchaser is acquiring any Senior Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the acknowledgements, representations and agreements contained herein on behalf of each such account;

(s) the offer and sale of the Senior Notes is conditional upon the offer and sale being exempt from the prospectus filing requirements of applicable securities law;

(t) the purchaser acknowledges that the Issuer may be required to disclose to applicable securities regulatory authorities the identity of the purchaser and any person with a beneficial interest in the Senior Notes;

(u) except for any rating reports that may have been issued by the applicable Rating Agencies, no agency, governmental authority, regulatory body, stock exchange or other entity has made any finding or determination as to the merit for investment of, nor have any such agencies or governmental authorities, regulatory bodies, stock exchanges or other entities made any recommendation or endorsement with respect to the Senior Notes;

(v) if the purchaser is:

(i) a corporation, it is duly incorporated and is validly subsisting under the laws of its jurisdiction of incorporation and has all requisite legal and corporate power and authority to purchase the Senior Notes and to make such representations and agreements as contemplated herein and has obtained all necessary approvals in respect thereof;

(ii) a partnership, syndicate or other form of unincorporated organization, it has the necessary legal capacity and authority to purchase the Senior Notes and to make such representations and agreements as contemplated herein and has obtained all necessary approvals in respect thereof; or

(iii) an individual, he or she is of the full age of majority, is a "permitted client" as such term is defined in NI 31-103 and is legally competent to purchase the Senior Notes and to make such representations and agreements as contemplated herein;

(w) the purchaser is not an "insider" of the Issuer (within the meaning of Canadian securities laws) and is not registered or required to be registered as a dealer, adviser or otherwise under the securities laws of any province of Canada (unless in either case it has specifically provided written advice to the contrary to the Issuer and to the Agents);

(x) it will, if requested by the Issuer or the Agent from whom the purchase confirmation is received, provide evidence of the basis of its above representations; and

(y) the Issuer, the Agents and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and it agrees that if any of the acknowledgements, representations or agreements deemed to have been made by its purchase of the Senior Notes are no longer accurate, it shall promptly notify the Issuer and the Agents for the applicable Offering of Senior Notes.

In addition, each purchaser of Senior Notes, by purchasing Senior Notes and accepting a purchase confirmation in respect thereof, represents to the Issuer and the Agents for the applicable Offering of Senior Notes that the purchaser:

(a) has been notified by the Issuer:

(i) that the Issuer is required to provide information pertaining to the purchaser of Senior Notes required to be disclosed in Schedule 1 of Form 45-106F1 under NI 45-l06 (including its name, address, telephone number and the number and value of securities purchased), which Form 45-106F1 the Issuer is required to file under NI 45-106;

(ii) that such personal information will be delivered to the applicable Canadian securities regulatory authorities (the "**Commissions**") in accordance with NI 45-106;

(iii) that such personal information is being collected indirectly by the applicable Commission under the authority granted to it in securities legislation;

(iv) that such personal information is being collected for the purposes of the administration and enforcement of securities legislation; and

(v) that the public official in the provinces of Canada who can answer questions about the indirect collection of such personal information is set out in Schedule A of this confidential shelf offering memorandum, and

(b) has authorized the indirect collection of the personal information by the applicable Commission.

By purchasing Senior Notes, the purchaser also acknowledges that its name and other specified information, including the number of Senior Notes it has purchased, may be disclosed to other Canadian securities regulatory authorities and become available to the public in accordance with the requirements of applicable laws and consents to the disclosure of that information. Furthermore, by purchasing the Senior Notes, the purchaser acknowledges that certain information as to its status as an "accredited investor" that the purchaser may have provided to any Agent involved in the trade may be required to be delivered by such Agent to the Issuer under the terms of an Agency Agreement between the Issuer, OPG and the Agents referred to under "Plan of Distribution". By purchasing the Senior Notes, the purchaser consents to the disclosure of such information.

LANGUAGE OF DOCUMENTS

Upon receipt of this confidential shelf offering memorandum, each purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Senior Notes described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *En recevant le présent document, chaque acquéreur confirme par les présentes qu'il a expressément demandé que tous les documents qui attestent la vente des débentures décrites dans les présentes ou qui s'y rapportent de quelque manière que ce soit (y compris, plus particulièrement, une confirmation d'achat ou un avis) soient rédigés en langue anglais seulement.*

RESTRICTIONS ON RESALE

The distribution of the Senior Notes in the provinces of Canada is being made on a private placement basis and is therefore exempt from the requirement that the Issuer prepare and file a prospectus with the relevant Canadian securities regulatory authorities. Accordingly, any resale of the Senior Notes must be made: (a) through an appropriately registered dealer or pursuant to an exemption from the dealer registration requirements of applicable provincial securities laws; and (b) in accordance with, or pursuant to an exemption from, the prospectus requirements of applicable provincial securities laws. These resale restrictions may in some circumstances apply to resales made outside of Canada. Purchasers are advised to seek legal advice prior to any resale of the Senior Notes.

Purchasers are advised that the Issuer does not intend to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Senior Notes to the public in any province of Canada in connection with any Offering.

Furthermore, each purchaser of Senior Notes, by its purchase thereof, will be deemed to have represented, acknowledged or confirmed, as the case may be, to the Issuer and any dealer who is involved in the sale of the Senior Notes to such purchaser that such purchaser understands that the Senior Notes are subject to transfer and resale restrictions in Canada and that the certificates representing the Senior Notes (or the relevant ownership statement under a direct registration system or other book-entry system) or other applicable document or notice (including this document) will bear or will notify the purchaser of the following legend:

> "EXCEPT IN THE PROVINCE OF MANITOBA, IN ACCORDANCE WITH NATIONAL INSTRUMENT 45-102 — RESALE OF SECURITIES, UNLESS OTHERWISE PERMITTED UNDER CANADIAN SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS FOUR MONTHS AND A DAY AFTER THE LATER OF (I) THE DATE ON WHICH THE SECURITY IS ISSUED; AND (II) THE DATE THE ISSUER BECOMES A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY OF CANADA.
>
> IN THE PROVINCE OF MANITOBA, UNLESS OTHERWISE PERMITTED UNDER APPLICABLE CANADIAN SECURITIES LAWS OR WITH THE PRIOR WRITTEN CONSENT OF THE APPLICABLE REGULATORS, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS TWELVE MONTHS AND A DAY AFTER THE DATE THE PURCHASER ACQUIRED THE SECURITY."

The Issuer is not and does not intend to become a reporting issuer.

There is currently no secondary market for the Senior Notes. There can be no assurance that a secondary market will develop or, if a secondary market does develop, that it will provide holders of such Series of Senior Notes with liquidity for their investment or that it will continue for the life of such Senior Notes. Accordingly, purchasers of the Senior Notes may be required to bear the financial risk of investing in the Senior Notes until the maturity date.

REPORTING REQUIREMENTS

The Issuer is not a reporting issuer or the equivalent thereof under the securities legislation in any jurisdiction. Accordingly, the Issuer is not subject to the continuous reporting and disclosure requirements prescribed by such securities legislation. Therefore, there is no requirement that the Issuer comply with such requirements, including, without limitation, the requirements to provide prompt notification of material changes by way of press releases, to formally file disclosure documents with applicable securities regulatory authorities or to prepare and file annual audited financial statements or quarterly unaudited financial statements. However, the Issuer will provide audited annual financial statements and unaudited quarterly financial statements in accordance with the terms of the Master Trust Indenture. See *"Description of Senior Notes — Reporting Requirements of Senior Notes"*.

STATUTORY RIGHTS OF ACTION

Securities legislation in certain of the provinces of Canada provides purchasers, in addition to any other rights they may have at law, with a remedy for rescission or damages where an offering memorandum or any amendment to it, and in some cases, advertising and sales literature used in connection therewith, contains a misrepresentation. These remedies, or notice with respect thereto, must be exercised or delivered, as the case may be, by the purchaser within the time limit prescribed, and are subject to the defences contained, in the applicable securities legislation. Purchasers should refer to the applicable provisions of the securities legislation of their province for the particulars of these rights or consult with a legal advisor. The following is a summary of the rights of rescission or rights to damages available to purchasers of the Senior Notes.

Rights for Purchasers in Ontario

Section 5.2 of Ontario Securities Commission Rule 45-501 — *Ontario Prospectus and Registration Exemptions* provides that when an offering memorandum, such as this confidential shelf offering memorandum, is delivered to an investor to whom securities are distributed in reliance upon the "accredited investor" prospectus exemption in section 73.3 of the *Securities Act* (Ontario) or a predecessor exemption to section 73.3 of the *Securities Act* (Ontario) the right of action referred to in section 130.1 of the *Securities Act* (Ontario) ("**Section 130.1**") is applicable, unless the prospective purchaser is:

(a) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act;

(b) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;

(c) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);

(d) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or

(e) a subsidiary of any person referred to in paragraphs (a), (b), (c) or (d), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of the subsidiary.

Section 130.1(1) provides such investors who purchase securities offered by an offering memorandum with a statutory right of action against the Issuer of securities for rescission or damages in the event that the offering memorandum and any amendment to it contains a "misrepresentation". The term "misrepresentation" is defined to mean an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in the light of the circumstances in which it was made. These

remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by applicable securities laws.

Where this confidential shelf offering memorandum is delivered to a prospective purchaser of Senior Notes in connection with a trade made in reliance on section 73.3 of the *Securities Act* (Ontario), and this document contains a misrepresentation, the purchaser will have, without regard to whether the purchaser relied on the misrepresentation, a statutory right of action against the Issuer for damages or, while still the owner of Senior Notes, for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages, provided that the right of action for rescission will be exercisable by the purchaser only if the purchaser commences the action not more than 180 days after the date of the transaction that gave rise to the cause of action; or, in the case of any action other than an action for rescission, the earlier of: (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the transaction that gave rise to the cause of action.

The Issuer will not be liable for a misrepresentation if it proves that the purchaser purchased the Senior Notes with knowledge of the misrepresentation.

In an action for damages, the Issuer will not be liable for all or any portion of the damages that the Issuer proves do not represent the depreciation in value of the Senior Notes as a result of the misrepresentation relied upon.

In no case will the amount recoverable for the misrepresentation exceed the price at which the Senior Notes were offered.

The liability of all persons and companies referred to above is joint and several. The Issuer, however, shall not be liable where it is not receiving any proceeds from the distribution of the securities being distributed and the misrepresentation was not based on information provided by the Issuer, unless the misrepresentation, (a) was based on information that was previously publicly disclosed by the Issuer, (b) was a misrepresentation at the time of its previous public disclosure and (c) was not subsequently publicly corrected or superseded by the Issuer prior to the completion of the distribution of the securities being distributed.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law.

This summary is subject to the express provisions of the *Securities Act* (Ontario) and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Rights for Purchasers in Saskatchewan

Section 138 of *The Securities Act, 1988* (Saskatchewan), as amended (the "**Saskatchewan Act**") provides that where an offering memorandum (such as this confidential shelf offering memorandum) or any amendment to it is sent or delivered to a purchaser and it contains a misrepresentation (as defined in the Saskatchewan Act), a purchaser who purchases a security covered by the offering memorandum or any amendment to it has, without regard to whether the purchaser relied on the misrepresentation, a right of action for rescission against the Issuer or a selling security holder on whose behalf the distribution is made or has a right of action for damages against:

(a) the Issuer or a selling security holder on whose behalf the distribution is made;

(b) every promoter and trustee of the Issuer or the selling security holder, as the case may be, at the time the offering memorandum or any amendment to it was sent or delivered;

(c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them;

(d) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the offering memorandum or the amendment to the offering memorandum; and

(e) every person who or company that sells securities on behalf of the Issuer or selling security holder under the offering memorandum or amendment to the offering memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

(a) if the purchaser elects to exercise its right of rescission against the Issuer or selling security holder, it will have no right of action for damages against that party;

(b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the securities resulting from the misrepresentation relied on;

(c) no person or company, other than the Issuer or a selling security holder, will be liable for any part of the offering memorandum or any amendment to it not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation;

(d) in no case will the amount recoverable exceed the price at which the securities were offered; and

(e) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation.

In addition, no person or company, other than the Issuer or selling security holder, will be liable if the person or company proves that:

(a) the offering memorandum or any amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company immediately gave reasonable general notice that it was so sent or delivered; or

(b) with respect to any part of the offering memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that: (i) there had been a misrepresentation, or (ii) the part of the offering memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Not all defences upon which the Issuer or others may rely are described herein. Please refer to the full text of the Saskatchewan Act for a complete listing.

The liability of all persons and companies referred to above is joint and several.

Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Section 138.2 of the Saskatchewan Act also provides that, subject to certain limitations and defences, where an individual makes a verbal statement to a purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the individual who made the verbal statement.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Saskatchewan Financial Services Commission.

Section 141(2) of the Saskatchewan Act also provides a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by Section 80.1 of the Saskatchewan Act.

The rights of action for damages or rescission under the Saskatchewan Act are in addition to and do not derogate from any other right which a purchaser may have at law.

Section 147 of the Saskatchewan Act provides that no action will be commenced to enforce any of the foregoing rights more than:

(a) in the case of an action for rescission or cancellation, 180 days after the date of the transaction that gave rise to the cause of action; or

(b) in the case of any other action, other than an action for rescission or cancellation, the earlier of:

  (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or

  (ii) six years after the date of the transaction that gave rise to the cause of action.

The Saskatchewan Act also provides that a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act has a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two business days of receiving the amended offering memorandum.

This summary is subject to the express provisions of the Saskatchewan Act and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Rights for Purchasers in Nova Scotia

The right of action for rescission or damages described herein is conferred by section 138 of the *Securities Act* (Nova Scotia). Section 138 provides, in the relevant part, that in the event that this confidential shelf offering memorandum, together with any amendments hereto, or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia)) contains an untrue statement of material fact or omits to state a material fact that is required to be stated or that is necessary in order to make any statements contained herein or therein not misleading in light of the circumstances in which it was made (a "**misrepresentation**"), a purchaser of Senior Notes is deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the Issuer, its trustees, any person who signed this confidential shelf offering memorandum, any selling security holder and the directors of any such selling security holder at the date of this confidential shelf offering memorandum or, alternatively, while still the owner of the Senior Notes, may elect instead to exercise a statutory right of rescission against the Issuer, in which case the purchaser will have no right of action for damages against any person listed above, including the Issuer, provided that, among other limitations:

(a) no action will be commenced to enforce the right of action for rescission or damages by a purchaser resident in Nova Scotia under Section 138 later than 120 days after the date payment was made for the Senior Notes (or after the date on which initial payment was made for the Senior

Notes where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment);

(b) no person will be liable if it proves that the purchaser purchased the Senior Notes with knowledge of the misrepresentation;

(c) no person or company, other than the Issuer, is liable under Section 138 if the person or company proves that:

(i) this confidential shelf offering memorandum, or any amendment hereto, was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;

(ii) after delivery of this confidential shelf offering memorandum, or the amendment hereto, and before the purchase of the Senior Notes by the purchaser, on becoming aware of any misrepresentation in this confidential shelf offering memorandum, or the amendment hereto, or any record incorporated or deemed incorporated by reference therein, the person or company withdrew the person's or company's consent to this confidential shelf offering memorandum, or amendment hereto, or such record, and gave reasonable general notice of the withdrawal and the reason for it; or

(iii) with respect to any part of this confidential shelf offering memorandum, or amendment hereto, or any record incorporated or deemed to be incorporated by reference therein, purporting to be made on the authority of an expert, or to be a copy of, or an extract from a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or that the relevant part of this confidential shelf offering memorandum, or amendment hereto, or such record, did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or extract from, the report, opinion or statement of the expert;

(d) no person or company, other than the Issuer, is liable under Section 138 with respect to any part of this confidential shelf offering memorandum, or amendment hereto, or any record incorporated or deemed incorporated by reference therein, not purporting to be made on the authority of an expert, or to be a copy of or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or believed that there had been a misrepresentation;

(e) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Senior Notes resulting from the misrepresentation; and

(f) in no case will the amount recoverable under Section 138 in any action exceed the price at which the Senior Notes were offered to the purchaser.

The liability of all persons or companies referred to above is joint and several with respect to the same cause of action. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person or company who is jointly and severally liable to make the same payment in the same cause of action unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable.

The foregoing statutory right of action for rescission or damages conferred by Section 138 of the Securities Act (Nova Scotia) is in addition to and without derogation from any other right or remedy available at law or otherwise to the purchaser. This summary is subject to the express provisions of the *Securities Act* (Nova Scotia) and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions may have at law.

Rights for Purchasers in New Brunswick

Section 2.1 of New Brunswick Securities Commission Rule 45-802 provides that the statutory rights of action in rescission or damages referred to in Section 150 of the *Securities Act* (New Brunswick) ("**Section 150**") apply to information relating to an offering memorandum, such as this confidential shelf offering memorandum, that is provided to a purchaser of securities in connection with a distribution made in reliance on the "accredited investor" prospectus exemption in Section 2.3 of NI 45-106. Section 150 provides investors who purchase securities offered for sale in reliance on an exemption from the prospectus requirements of the *Securities Act* (New Brunswick) with a statutory right of action for damages against (i) the Issuer; (ii) the selling security holder on whose behalf the distribution was made; (iii) every person who was a director of the Issuer as at the date of the offering memorandum; and (iv) every person who signed the offering memorandum in the event that an offering memorandum provided to such investor contains a "misrepresentation". Alternatively, if the investor purchased the securities from a person referred to in (i) or (ii) above, an investor may elect a right of rescission, in which case the investor shall have no right of action for damages. "Misrepresentation" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

Where this confidential shelf offering memorandum is delivered to a prospective purchaser of Senior Notes in connection with a trade made in reliance on Section 2.3 of NI 45-106, and this document (including any documentation incorporated or deemed to be incorporated by reference) contains a misrepresentation, a purchaser who purchases the securities will be deemed to have relied on the misrepresentation and will have, subject to certain limitations and defences, a statutory right of action against the Issuer for damages or, while still the owner of Senior Notes, for rescission. If the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages. The right of action for rescission will be exercisable by the purchaser only if the purchaser commences the action against the defendant, not more than 180 days after the date of the transaction that gave rise to the cause of action; or, in the case of any action other than an action for rescission, the earlier of: (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) six years after the date of the transaction that gave rise to the cause of action.

No person other than the Issuer or the selling security holder is liable under Section 150 if the person proves that:

(a) the offering memorandum was delivered to the purchaser without the person's knowledge or consent and that, on becoming aware of its delivery, the person gave written notice to the Issuer that it was delivered without the person's knowledge or consent;

(b) upon becoming aware of a misrepresentation in the offering memorandum the person withdrew the person's consent to the offering memorandum and gave written notice to the Issuer of the withdrawal and the reason for the withdrawal; or

(c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person had no reasonable grounds to believe and did not believe there had been a misrepresentation or that the relevant part of the offering memorandum did not fairly represent the report, opinion or statement of the expert or was not a fair copy of, or extract from, the report, opinion or statement of the expert.

In addition, no person other than the Issuer or the selling security holder is liable under Section 150 with respect to any part of an offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert unless (i) the person failed to conduct such reasonable investigations as to provide reasonable grounds for a belief that there had been no misrepresentation or (ii) the person believed that there had been misrepresentation.

The defendant will not be liable for a misrepresentation if it proves that the purchaser purchased the Senior Notes with knowledge of the misrepresentation.

In an action for damages, the defendant will not be liable for all or any portion of the damages that the defendant proves do not represent the depreciation in value of the Senior Notes as a result of the misrepresentation relied upon.

In no case will the amount recoverable for the misrepresentation exceed the price at which the Senior Notes were offered.

The liability of all persons referred to above is joint and several.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law.

This summary is subject to the express provisions of the Securities Act (New Brunswick) and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Rights for Purchasers in Prince Edward Island

The right of action for rescission or damages described herein is conferred by Section 112 of the *Securities Act* (Prince Edward Island). Section 112 provides, that in the event that this confidential shelf offering memorandum contains a "misrepresentation", a purchaser who purchased the Senior Notes during the period of distribution, without regard to whether the purchaser relied upon such misrepresentation, has a statutory right of action for damages against the Issuer, the selling security holder on whose behalf the distribution was made, every trustee of the Issuer as at the date of the confidential shelf offering memorandum, and every person who signed the confidential shelf offering memorandum. Alternatively, the purchaser while still the owner of the Senior Notes may elect to exercise a statutory right of action for rescission against the Issuer. "Misrepresentation" means an untrue statement of material fact, or an omission to state a material fact that is required to be stated by the *Securities Act* (Prince Edward Island), or an omission to state a material fact that needs to be stated so that a statement is not false or misleading in light of the circumstances in which it is made. Statutory rights of action for rescission or damages by a purchaser are subject to the following limitations:

(a) no action will be commenced to enforce the right of action for rescission by a purchaser, resident in Prince Edward Island, later than 180 days after the date of the transaction that gave rise to the cause of action;

(b) in the case of any action other than an action for rescission, the earlier of;

  (i) 180 days after the purchaser first had knowledge of the facts given rise to the cause of action; or

  (ii) three years after the date of the transaction giving rise to the cause of action;

(c) no person will be liable if the person proves that the purchaser purchased the security with knowledge of the misrepresentation;

(d) no person other than the Issuer will be liable if the person proves that

  (i) the confidential shelf offering memorandum was sent to the purchaser without the person's knowledge or consent and that, on becoming aware of it being sent, the person had promptly given reasonable notice to the Issuer that it had been sent without the knowledge and consent of the person;

  (ii) the person, on becoming aware of the misrepresentation in the confidential shelf offering memorandum, had withdrawn the person's consent to the confidential shelf offering memorandum and had given reasonable notice to the Issuer of the withdrawal and the reason for it; or

(iii) with respect to any part of the confidential shelf offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe, and did not believe that;

(A) there had been a misrepresentation; or

(B) the relevant part of the confidential shelf offering memorandum:

a. did not fairly represent the report, statement or opinion of the expert, or

b. was not a fair copy of, or an extract from, the report, statement, or opinion of the expert.

Not all defences upon which the Issuer or others may rely are described herein. Please refer to the full text of the *Securities Act* (Prince Edward Island) for a complete listing.

If the purchaser elects to exercise a right of action for rescission, the purchaser will have no right of action for damages.

In no case will the amount recoverable in any action exceed the price at which the Senior Notes were offered to the purchaser.

In an action for damages, the defendant will not be liable for any damages that the defendant proves do not represent the depreciation in value of the Senior Notes as a result of the misrepresentation.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law.

This summary is subject to the express conditions of the *Securities Act* (Prince Edward Island) and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Rights for Purchasers in Manitoba

Pursuant to section 141.1(1) of *The Securities Act* (Manitoba) (the "**Manitoba Act**"), where this confidential shelf offering memorandum, or any amendment to this confidential shelf offering memorandum, is sent or delivered to a purchaser in the Province of Manitoba and such document contains a misrepresentation, a purchaser who purchases Senior Notes offered by this confidential shelf offering memorandum or any amendment to this confidential shelf offering memorandum is deemed to have relied on that misrepresentation, if it was a misrepresentation at the time of purchase and, subject to the defenses described in the Manitoba Act, has:

(a) a right of action for damages against:

(i) the Issuer;

(ii) each of its trustees at the date of this confidential shelf offering memorandum or any amendment to this confidential shelf offering memorandum; and

(iii) every person or company who signed this confidential shelf offering memorandum or any amendment to this confidential shelf offering memorandum; and

(b) a right of rescission against the Issuer;

provided that:

(c) no person or company is liable if the person or company proves that the purchaser purchased the Senior Notes with knowledge of the misrepresentation;

(d) in an action for damages, the defendant is not liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the Senior Notes resulting from the misrepresentation relied on; and

(e) in no case will the amount recovered exceed the price at which the Senior Notes were offered to the public.

Where a purchaser elects to exercise a right of rescission against the Issuer, the purchaser will have no right of action for damages against the Issuer or against a person or company referred to in (a)(ii) or (iii) above.

No person or company other than the Issuer is liable:

(a) if the person or company proves that this confidential shelf offering memorandum or any amendment to this confidential shelf offering memorandum was sent without the person's or company's knowledge or consent and that, after becoming aware of its being sent, the person or company promptly gave reasonable notice to the Issuer that it was so sent;

(b) if the person or company proves that after becoming aware of any misrepresentation in this confidential shelf offering memorandum or any amendment to this confidential shelf offering memorandum, the person or company withdrew the person's or company's consent to it and gave reasonable notice to the Issuer of the person's or company's withdrawal and the reason for it;

(c) if the person or company proves that with respect to any part of this confidential shelf offering memorandum or of any amendment to this confidential shelf offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of or an extract from a report, opinion or statement of an expert, the person or company had no reasonable grounds to believe and did not believe that:

(i) there had been a misrepresentation; or

(ii) the relevant part of this confidential shelf offering memorandum or of the amendment to this confidential shelf offering memorandum:

(A) did not fairly represent the report, opinion or statement of the expert; or

(B) was not a fair copy of or extract from the report, opinion or statement of the expert; or

(d) with respect to any part of this confidential shelf offering memorandum or of the amendment to this confidential shelf offering memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, the expert's report, opinion or statement, unless the person or company:

(i) did not conduct an investigation, sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; or

(ii) believed that there had been a misrepresentation.

Pursuant to section 141.4 of the Manitoba Act, but subject to the other provisions thereof, no action shall be commenced to enforce any of the foregoing rights more than:

(a) in the case of an action for rescission, 180 days from the date of the transaction that gave rise to the cause of action, or

(b) in the case of an action for damages, the earlier of:

(i) 180 days after the date that the plaintiff first had knowledge of the facts giving rise to the cause of action, or

(ii) two years after the date of the transaction that gave rise to the cause of action.

In an action for damages, the Issuer will not be liable for all or any part of the damages that the Issuer proves do not represent the depreciation in value of the Senior Notes as a result of the misrepresentation relied upon.

The rights of action for rescission or damages under the Manitoba Act are in addition to and do not derogate from any other right that the purchaser may have at law.

This summary is subject to the express provisions of the Manitoba Act and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Rights for purchasers in Newfoundland and Labrador

In accordance with section 130.1 of the *Securities Act* (Newfoundland and Labrador, hereinafter the "**NL Act**"), in the event this confidential shelf offering memorandum contains a misrepresentation, a purchaser who purchases Senior Notes shall be deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase, in which event the purchaser has, subject to the defences and limitations set out in the NL Act: (a) a right of action for damages against the Issuer and, every trustee of the Issuer at the date of this confidential shelf offering memorandum and every person or company who has signed this confidential shelf offering memorandum; and (b) a right of rescission against the Issuer. Where a right of rescission is exercised, a purchaser shall have no right of action for damages against any other person or company.

For the purposes of the NL Act "misrepresentation" means: (a) an untrue statement of material fact, or (b) an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

A person or company is not liable under section 130.1 of the NL Act: (a) if the person or company proves the purchaser had knowledge of the misrepresentation; or (b) in an action for damages, for all or any portion of the damages that the person or company proves do not represent the depreciation in value of the security as a result of the misrepresentation. Additionally, in an action for damages, the amount recoverable under the right of action shall not exceed the purchase price at which the security was offered.

In addition no person or company, other than the Issuer, is liable under section 130.1 of the NL Act if:

(a) the person or company proves that this confidential shelf offering memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the Issuer that it was sent without the person's or company's knowledge or consent;

(b) the person or company proves that on becoming aware of any misrepresentation in this confidential shelf offering memorandum, the person or company withdrew the person's or company's consent to this confidential shelf offering memorandum, and gave reasonable notice to the Issuer of the withdrawal and the reason for it;

(c) with respect to any part of this confidential shelf offering memorandum purporting to be made on the authority of an expert (or purporting to be a copy of or an extract from a report, opinion or statement of an expert), the person or company proves they had no reasonable grounds to believe

and did not believe that: (i) there had been a misrepresentation; or (ii) the relevant part of this confidential shelf offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert; or

(d) with respect to any part of this confidential shelf offering memorandum not purporting to be made on the authority of an expert (and not purporting to be a copy of or an extract from a report, opinion or statement of an expert), unless the person or company: (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; (ii) or believed there had been a misrepresentation.

If a misrepresentation is contained in a record incorporated by reference in, or deemed incorporated into this confidential shelf offering memorandum, the misrepresentation is deemed to be contained in this confidential shelf offering memorandum.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law. The liability of all persons and companies referred to above is joint and several.

Pursuant to section 138 of the NL Act, no action shall be commenced to enforce the rights conferred by section 130.1 thereof unless commenced:

(a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or

(b) in the case of an action, other than an action for rescission, the earlier of:

(i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action; or

(ii) three years after the date of the transaction that gave rise to the cause of action.

Rights for Purchasers in Alberta, British Columbia, and Québec

By purchasing Senior Notes hereunder, purchasers in Alberta, British Columbia and Québec not entitled to the statutory rights described above, in consideration of their purchase of Senior Notes and upon accepting a purchase confirmation in respect thereof, are hereby granted a contractual right of action for damages or rescission that is the same as the statutory right of action, if any, provided to residents of Ontario who purchase Senior Notes.

General

The foregoing summaries are subject to the express provisions of the applicable securities law of each jurisdiction, and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions.

The rights of action described in this confidential shelf offering memorandum are in addition to and without derogation from any other right or remedy that the purchaser may have at law.

INDENTURE TRUSTEE

The Indenture Trustee, BNY Trust Company of Canada, will be the registrar for the Senior Notes, and the register for the transfer of Senior Notes will be kept at its principal office in Toronto, Ontario.

LEGAL MATTERS

Certain Canadian legal matters in connection with the offering of Senior Notes will be passed upon by Torys LLP on behalf of the Issuer and by Osler, Hoskin & Harcourt LLP on behalf of the Agents.

GLOSSARY

[NTD: Glossary in progress. For ease of reference, Torys is considering adding an index or replacing glossary with an index for terms that are defined in the body.]

The following glossary contains definitions of certain terms that are used throughout this confidential shelf offering memorandum.

"**Acceleration**" means, (a) a portion of the principal amount owing in respect of the Funding Obligation has become due and payable by a Financing Entity before the scheduled payment date, maturity date or redemption date, or (b) a party to a derivative agreement in respect of the Funding Obligation has elected to close-out or terminate the agreement, resulting in an obligation on a Financing Entity to pay a termination amount, close-out amount or similar amount.

"**Acceleration Event**" means the acceleration of any Series of Controlling Class Obligations pursuant to and in accordance with its Funding Obligation Agreement.

"**Adherence Compliance Certificate**" has the meaning set out under *"Change of Law Protection Agreement — Approved Obligations & Adherence Conditions"*.

"**Adverse Effect**" has the meaning set out under *"Capital Markets Platform — Conditions Precedent to Incurrence of Obligations Secured — Issuer Funding Obligations"*.

"**Agency Agreement**" has the meaning set out under *"Plan of Distribution"*.

"**Agents**" means the agents designated by the Issuer from time to time and identified in the Term Sheet applicable to such Offering to sell the Senior Notes as described under *"Plan of Distribution"*.

"**Approved Obligation**" has the meaning set out under *"Change of Law Protection Agreement — Approved Obligations & Adherence Conditions"*.

"**Available Collections**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Collection Account"*.

"**Borrowing**" means a borrowing or drawing by the Issuer pursuant to a liquidity agreement, a loan agreement or a credit enhancement agreement.

"**Canadian Insolvency and Restructuring Laws**" has the meaning set out under *"Risk Factors — Risks Associated with the Unusual Nature of the Investment Asset"*.

"**Carrying Costs**" has the meaning ascribed to the term "carrying costs" in the Regulations.

"**CDS**" means CDS Clearing and Depository Services Inc.

"**Certified Primary Obligation**" has the meaning set out under *"Change of Law Protection Agreement — Approved Obligations & Adherence Conditions"*.

"**Class**" has the meaning set out under *"Capital Markets Platform — Subordination Provisions"*.

"**Clean Energy Adjustment**" has the meaning set out under *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

"**Clean Energy Benefits**" means the value of the benefits determined to be derived by or accruing to Specified

Consumers as a result of the Clean Energy Initiative, including as a result of Clean Energy Costs.

"**Clean Energy Costs**" means the value of the costs allocated to Specified Consumers as a result of the Clean Energy Initiative, including as a result of past, present and expected costs incurred in respect of

(a) the amounts to be paid or reflected by the IESO in adjustments made under section 25.33 of the *Electricity Act, 1998* (Ontario) or any provision that is the successor to that provision, which relate to contracts or amounts for

(i) renewable energy generation or capacity;

(ii) conservation and demand management;

(iii) energy storage;

(iv) energy efficiency; and

(v) natural gas generation and capacity, excluding contracts relating to amounts payable by the IESO under section 78.2 of the *Ontario Energy Board Act, 1998* and excluding such other contracts as may be prescribed;

(b) payments made or expected to be made under section 78.5 of the *Ontario Energy Board Act, 1998*; and

(c) such other costs or estimated costs as may be prescribed by the Regulations.

"**Clean Energy Initiative**" means the policies of the Government of Ontario ~~government~~ related to

(a) eliminating coal generation and fostering the growth of and investment in clean, modern and reliable energy sources and technologies;

(b) removing barriers to and promoting opportunities for clean and renewable energy sources and technologies;

(c) promoting conservation, demand management and energy efficiency; and

(d) investing in energy infrastructure to ensure a clean, modern and reliable system.

"**Clearstream, Luxembourg**" means Clearstream Banking, société anonyme.

"**Collateral**" has the meaning set out under *"Capital Markets Platform — Security"*.

"**Collection Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Collection Account"*.

"**Collection Account Waterfall**" has the meaning set out under *"Capital Markets Platform — Payment Waterfalls Prior to Acceleration — Collection Account"*.

"**Commission**" has the meaning set out under *"Representations and Agreements of Purchasers"*.

"**Confidential Information**" has the meaning set out under *"Confidentiality"*.

"**Controlling Class Creditors**" means the Debtholders holding Controlling Class Obligations.

"**Controlling Class Obligations**" means: (a) Senior Funding Obligations until such time as all Senior Funding Obligations have been paid in full; then (b) if all Senior Funding Obligations have been paid in full, Subordinated Funding Obligations until such time as all Subordinated Funding Obligations have been paid in full; and finally (c) if all Senior Funding Obligations and Subordinated Funding Obligations have been paid in full, Junior Subordinated Funding Obligations until such time as all Junior Subordinated Funding Obligations have been paid in full.

"**Co-Owner Agreement**" means any agreement between, *inter alia*, the Issuer and any other owner or owners of an Investment Interest as contemplated by the FHPA.

"**DBRS**" means DBRS Limited and its successors.

"**Debtholder**" means a Noteholder or a Lender.

"**Debtholder Group**" has the meaning set out under *"Capital Markets Platform — Debtholder Approvals and Meetings — Debtholder Meetings"*.

"**Declaration of Trust**" has the meaning set out under *"The Issuer"*.

"**Default**" means the occurrence of any event which, after the passage of time, the required notification to the Indenture Trustee and, if required, approval by the required Controlling Class Creditors, would become an Event of Default.

"**depository**" has the meaning set out under *"Depository Services"*.

"**Derivative Counterparty**" means any party to any derivative agreement other than the Issuer or the Indenture Trustee.

"**Derivative Funding Obligations**" means Funding Obligations arising under, or in connection with, derivative agreements.

"**DTC**" means The Depositary Trust Company.

"**Electricity Vendor**" means

(a) a person licensed under Part V of the *Ontario Energy Board Act, 1998* to own or operate a "distribution system" within the meaning of that Act;

(b) a person licensed under Part V of the *Ontario Energy Board Act, 1998* to retail electricity;

(c) the IESO in circumstances where it directly invoices a Specified Consumer for electricity used in Ontario; or

(d) such other person as may be prescribed by the Regulations.

"**Eligible Deposit Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts"*.

"**Eligible Institution**" means (a) a trust company or Schedule I chartered bank (or an affiliate thereof) incorporated under the laws of Canada or any province thereof (i) which has either (x) a long-term unsecured debt rating of "A" or better by DBRS, or (y) a short-term deposit rating of "R-1 (low)" or better by DBRS, and (ii) which has either (x) a long-term unsecured debt rating of "A2" or better by Moody's, or (y) a short-term deposit rating of "P-1" or better by Moody's, or (b) any institution that otherwise satisfies the Rating Agency Condition.

"**Eligible Investments**" means instruments or investment property that evidence:

(a) direct obligations of, or obligations fully and unconditionally guaranteed as to timely payment by, Canada or the United States of America;

(b) demand or time deposits of, unsecured certificates of deposit of, money market deposit accounts of, bank deposit products of or bankers' acceptances issued by, any depository institution (including, but not limited to, bank deposit products of the Indenture Trustee, acting in its commercial capacity) incorporated or organized under the laws of the United States of America, Canada or any state or province thereof and subject to supervision and examination by applicable banking authorities, so long as the commercial paper or other short-term debt obligations of such depository institution are, at the time of deposit, rated at least "R-1 (low)" and "P 1" by each of DBRS and Moody's, or such lower rating as will not result in the downgrading or withdrawal of the ratings of the Issuer or any of the Issuer Funding Obligations;

(c) commercial paper (including commercial paper of the Indenture Trustee, acting in its commercial capacity), which at the time of purchase is rated at least "R-1 (low)" and "P-1" by each of DBRS and Moody's, or such lower rating as will not result in the downgrading or withdrawal of the ratings of the Issuer or any of the Issuer Funding Obligations;

(d) investments in money market funds having a rating in the highest investment category granted thereby (including funds for which the Indenture Trustee or any of its affiliates is investment manager or advisor) from DBRS and Moody's;

(e) repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by, the United States of America, Canada or their respective agencies or instrumentalities, entered into with Eligible

Institutions;

(f) repurchase obligations with respect to any security or whole loan entered into with an Eligible Institution or with a registered broker/dealer acting as principal and that meets the ratings criteria set forth below:

(i) a broker/dealer (acting as principal) registered as a broker or dealer under the *Securities Act* (Ontario) (any such broker/dealer being referred to in this definition as a "**broker/dealer**"), the unsecured short-term debt obligations of which are rated at least "P-1" by Moody's and "R-1" by DBRS at the time of entering into such repurchase obligation; or

(ii) an unrated broker/dealer, acting as principal, that is a wholly-owned subsidiary of a non-bank or bank holding company the unsecured short-term debt obligations of which are rated at least "P-1" by Moody's and "R-1" by DBRS at the time of purchase so long as the obligations of such unrated broker/dealer are unconditionally guaranteed by such non-bank or bank holding company; and

(g) any other investment permitted by each of the Rating Agencies;

in each case maturing not later than the business day preceding the next Payment Date, Interest Payment Date or Principal Payment Date, as applicable (for the avoidance of doubt, investments in money market funds or similar instruments that are redeemable on demand shall be deemed to satisfy the foregoing requirement). Notwithstanding the foregoing, no securities or investments that mature in 30 days or more shall be "Eligible Investments" unless the issuer thereof has (x) either a short-term unsecured debt rating of at least "P-1" from Moody's or a long-term unsecured debt rating of at least "A2" from Moody's and also has (y) either a short-term unsecured debt rating of at least "R-1 (low)" from DBRS or a long-term unsecured debt rating of at least "A" from DBRS.

"**Eligible Securities Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts"*.

"**Euroclear**" means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

"**Event of Default**" has the meaning set out under *"Capital Markets Platform — Event of Default"*.

"**Extraordinary Resolution**" has the meaning set out under *"Capital Markets Platform — Debtholder Approvals and Meetings — Debtholder Meetings"*.

"**Fair Adjustment**" has the meaning set out under *"Ontario's Fair Hydro Plan — Background"*.[60]

"**Fair Allocation Amount**" has the meaning set out under *"Ontario's Fair Hydro Plan — Fair Allocation Amount and Financing Plan"*.[61]

"**FHPA**" means the *Ontario Fair Hydro Plan Act, 2017*.

"**Finance Amount**" has the meaning set out under *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

"**Financial Services Manager**" means OPG, in its capacity as financial services manager appointed under the FHPA to perform the duties assigned to it thereunder.[62]

"**Financing Entity**" has the meaning set out under *"Ontario's Fair Hydro Plan — Background"*.

"**Financing Plan**" means the written plan entitled "Financing Plan" prepared by the Financial Services Manager as

[60] **Note:** Please consider revising the definition of "Fair Adjustment" if this concept is to be used in the OM. The definition of the "Fair Adjustment" indicates that this term only refers to the rate reduction from July 1, 2017 until April 30, 2018. When the term is then later used in narrative [ex. "…the Financing Entity is financing a portion of the shortfall that results from the Fair Adjustment…"] it refers to the electricity rates that result from the entire fair hydro program.

[61] **Note:** Please consider a description of the Fair Allocation Amount that more closely aligns to Section 20(1) of the FHPA.

[62] **Note:** Please consider whether there should be disclosure indicating that the FSM is a statutory role from which OPG may be removed.

required under the FHPA to be used by the Financial Services Manager to evaluate whether potential Funding Obligations should be incurred for the purposes of a Financing Entity acquiring and financing an Investment ~~Interests, including~~Interest in accordance with the FHPA or for the purposes of a Refinancing, and includes any amendments thereto.

"**Funding Obligation**" has the meaning set out under *"Ontario's Fair Hydro Plan — Background"*.

"**Funding Obligation Agreement**" means any Note, any Supplemental Indenture (including any Terms Document), any liquidity agreement, any liquidity agreement, any credit enhancement agreement or any derivative agreement.

"**Funding Rebate**" has the meaning set out under *"Ontario's Fair Hydro Plan — Investment Interest"*.

"**Governmental Authority**" means any nation or government, any federal, state, provincial, local or other political subdivision thereof and any court, administrative agency or other instrumentality or entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

"**HOEP**" has the meaning set out under *"The Electricity Industry in Ontario — Electricity Prices"*.

"**IESO**" means the Independent Electricity System Operator.

"**IESO Cash Reserve Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — IESO Cash Reserve Account"*.

"**IESO Cash Reserve Deposit Amount**" means an amount equal to the aggregate of:

(a) 0.50% of the aggregate outstanding principal amount of the Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations determined as of the Payment Date occurring in April, 2021; and

(b) an amount estimated by the Manager, acting reasonably, as the amount of Carrying Costs payable by the Issuer during May, June and July, 2021 on outstanding Issuer Funding Obligations and any Issuer Funding Obligations to be issued in accordance with the Financing Plan, provided that such estimate satisfies the Rating Agency Condition.

"**IESO Cash Reserve Required Amount**" means, on any Payment Date on or after the Payment Date in November, 2021, the amount, if any, by which (a) an amount equal to 0.50% of the aggregate outstanding principal amount of the Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations, exceeds (b) the amount on deposit in the Program Cash Reserve Account, determined after giving effect to all settlements on such Payment Date.

"**IESO Security Agreement**" means the security agreement made by the IESO in favour of the Issuer to secure its obligations to pay the Issuer's Carrying Costs pursuant to the Master Transfer and Servicing Agreement.

"**Indemnity Agreement**" means the Indemnity Agreement dated December 21, 2017 by OPG in favour of the Indenture Trustee.

"**Indenture**" means the Master Trust Indenture, as supplemented by any Supplemental Indenture.

"**Indenture Trustee**" means BNY Trust Company of Canada and its successors.

"**Interest Accrual Amount (Junior Subordinated)**" means, in respect of any Payment Date and all Junior Subordinated Funding Obligations, the amount of interest that accrued on such Junior Subordinated Funding Obligations during the period from and including the issuance date of such Junior Subordinated Funding Obligations or the last date to which interest has been paid in respect of such Junior Subordinated Funding

Obligations, as applicable, to such Payment Date less any amounts deposited to the Interest Accumulation Account in respect of such interest accruing during such period pursuant to the Collection Account Waterfall and the payment waterfall applicable to the IESO Cash Reserve Account.

"**Interest Accrual Amount (Senior)**" means, in respect of any Payment Date and all Senior Funding Obligations, the amount of interest that accrued on such Senior Funding Obligations during the period from and including the issuance date of such Senior Funding Obligations or the last date to which interest has been paid in respect of such Senior Funding Obligations, as applicable, to such Payment Date less any amounts deposited to the Interest Accumulation Account in respect of such interest accruing during such period pursuant to the Collection Account Waterfall and the payment waterfall applicable to the IESO Cash Reserve Account.

"**Interest Accrual Amount (Subordinated)**" means, in respect of any Payment Date and all Subordinated Funding Obligations, the amount of interest that accrued on such Subordinated Funding Obligations during the period from and including the issuance date of such Subordinated Funding Obligations or the last date to which interest has been paid in respect of such Subordinated Funding Obligations, as applicable, to such Payment Date less any amounts deposited to the Interest Accumulation Account in respect of such interest accruing during such period pursuant to the Collection Account Waterfall and the payment waterfall applicable to the IESO Cash Reserve Account.

"**Interest Accumulation Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Interest Accumulation Account"*.

"**Interest Payment Date**" means each business day on which interest is due and payable in respect of Senior Funding Obligations, Subordinated Funding Obligations or Junior Subordinated Funding Obligations, as set out in the related Funding Obligation Agreement.

"**Investment Asset**" has the meaning set out under *"Ontario's Fair Hydro Plan — Investment Interest"*.

"**Investment Interest**" has the meaning set out under *"Ontario's Fair Hydro Plan — Investment Interest"*.

"**Investor Presentation**" has the meaning set out on the face page of this confidential shelf offering memorandum.

"**Issuer**" means Fair Hydro Trust, a special purpose trust ~~established under~~governed by the laws of the Province of Ontario.

"**Issuer Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts"*.

"**Issuer Funding Obligation**" means Funding Obligations of the Issuer.

"**Issuer Trustee**" means Computershare Trust Company of Canada.

"**Junior Subordinated Funding Obligations**" means Funding Obligations arising under, or in connection with, Notes and Borrowings that have been designated as "Junior Subordinated" in the related Funding Obligation Agreement.

"**Junior Subordinated Notes, Series 2017-1**" has the meaning set out under *"Short Term Indebtedness"*.

"**LDCs**" has the meaning set out under *"The Electricity Industry in Ontario"*.

"**Lender**" means any Person providing credit facilities, note purchase facilities or advances under a liquidity agreement, liquidity agreement or credit enhancement agreement, as applicable.

"**Limited Guarantee**" has the meaning set out under *"Change of Law Protection Agreement"*.

"**Management Agreement**" has the meaning set out under *"The Manager"*.

"**Manager**" means OPG, as manager of the Issuer appointed under the Management Agreement.

"**Manitoba Act**" means *The Securities Act* (Manitoba).

"**Master Agreement**" means an agreement in the form of a Master Agreement as published by ISDA or any replacement or substitute or functional equivalent of such agreement.

"**Master Transfer and Servicing Agreement**" means the master transfer and servicing agreement dated as of December 21, 2017 between the Issuer and the IESO, as amended, supplemented, restated or otherwise modified from time to time.

"**Master Trust Indenture**" means the trust indenture dated as of December 21, 2017 between the Issuer, as issuer, and the Indenture Trustee, as amended, supplemented, restated or otherwise modified from time to time.

"**Material Effect**" has the meaning set out under *"Change of Law Protection Agreement — Suspension Notice & Post-Suspension Refinancings"*.

"**Moody's**" means Moody's Investors Service, Inc. and its successors.

"**Moratorium Period**" has the meaning set out under *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

"**MTSA Acknowledgement**" means the acknowledgement and indemnity agreement dated December 21, 2017 by the IESO in favour of the Indenture Trustee.

"**MW**" means megawatts.[63]

"**NI 31-103**" means National Instrument 31-103 — *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

"**NI 45-106**" means National Instrument 45-106 — *Prospectus Exemptions*.

"**NL Act**" means the *Securities Act* (Newfoundland and Labrador).

"**Non-Investment Grade Rated Electricity Vendor**" has the meaning set out under *"The Transferor and Servicer"*.

"**Note**" means any note of any Class, Series or Tranche created pursuant to a Supplemental ~~Indentures~~Indenture and authenticated and delivered from time to time under the Master Trust Indenture.

"**Noteholders**" means a Person in whose name a Note is registered in the Note register or the bearer of any Note held in bearer form (including a global note in bearer form), as the case may be.

"**Obligations Secured**" means all present and future debts, expenses and liabilities, direct or indirect, absolute or contingent, due, owing or accruing due or owing from time to time by the Issuer to the Specified Creditors in their capacity as such. For greater certainty, amounts owing to any Specified Creditors by the Issuer at any time shall include (a) the unpaid face amount of any Notes issued on a discount basis; (b) the principal amount owing at such time, together with the accrued and unpaid interest on interest bearing Notes or Borrowings; (c) accrued fees, whether or not then due and payable; and (d) any evidence of indebtedness issued pursuant to or in respect of an amount owing under a Program Agreement (other than amounts payable by the Issuer to its beneficiaries pursuant to the Declaration of Trust or a promissory note issued by the Issuer to a beneficiary as contemplated in the Declaration of Trust).

[63] **Note:** Definition not used.

"**OEB**" means the Ontario Energy Board.

"**Offering**" means an offering of senior secured notes pursuant to this confidential shelf offering memorandum and the related Term Sheet as described under *"Plan of Distribution"*.

"**Offering Jurisdiction**" means each of the provinces of Canada.

"**OPA**" means Ontario Power Authority.

"**OPG**" means Ontario Power Generation Inc.

"**Ordinary Resolution**" has the meaning set out under *"Capital Markets Platform — Debtholder Approvals and Meetings — Debtholder Meetings"*.

"**Participants**" has the meaning set out under *"Depository Services"*.

"**Paying Agent**" means any Person authorized by the Issuer to pay any Obligations Secured on behalf of the Issuer.

"**Payment Date**" means the 15th day of each calendar month.

"**Person**" means any individual, corporation, limited liability company, unlimited liability company, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or Governmental Authority.

"**Post-Suspension Refinancing**" has the meaning set out under *"Change of Law Protection Agreement — Suspension Notice & Post-Suspension Refinancings"*.

"**Pre-Approved Refinancing**" has the meaning set out under *"Change of Law Protection Agreement — Suspension Notice & Post-Suspension Refinancings"*.

"**Predecessor IESO**" has the meaning set out under *"The Electricity Industry in Ontario — The IESO"*.

"**Primary Obligation**" has the meaning set out under *"Change of Law Protection Agreement — Approved Obligations & Adherence Conditions"*.

"**Principal Accumulation Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Principal Accumulation Account"*.

"**Principal Accumulation Amount**" means, in respect of any Series of Senior Funding Obligations, Subordinated Funding Obligations or Junior Subordinated Funding Obligations and a Payment Date occurring on or after the Principal Accumulation Date for such Series, the amount specified for such Payment Date in the related Funding Obligation Agreement plus any amounts specified in the related Funding Obligation Agreement in respect of prior Payment Dates after the Principal Accumulation Date for such Series which were not deposited to the Principal Accumulation Account; provided that if the Issuer has delivered a refinancing notice in respect of such Series, the Principal Accumulation Amounts in respect of such Series shall be adjusted as provided for in such refinancing notice.

"**Principal Accumulation Date**" means, in respect of any Series of Issuer Funding Obligations, other than Derivative Funding Obligations, the date, if any, specified in the related Funding Obligation Agreement.

"**Principal Payment Date**" means each business day on which principal is due and payable in respect of Senior Funding Obligations, Subordinated Funding Obligations or Junior Subordinated Funding Obligations, as set out in the related Funding Obligation Agreement.

"**Principal Payment Default Date**" has, with respect to any Issuer Funding Obligation, the meaning specified in

the related Funding Obligation Agreement.

"**Program Account**" means each of the Collection Account, the Principal Accumulation Account, the Interest Accumulation Account, the Program Cash Reserve Account, the IESO Cash Reserve Account, the Refinancing Account and the Protection Account.

"**Program Agreements**" means the Master Trust Indenture, each Supplemental Indenture, the Declaration of Trust, the Management Agreement, the Master Transfer and Servicing Agreement, the MTSA Acknowledgement, the Indemnity Agreement, each transfer notice delivered under the Master Transfer and Servicing Agreement, any Co-Owner Agreements, the IESO Security Agreement, the Change of Law Protection Agreement, the Notes, any derivative agreements, credit enhancement agreements, liquidity agreements, loan agreements, underwriting agreements, agency agreements or note purchase agreements and all other documents and certificates delivered in connection therewith.

"**Program Cash Reserve Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Program Cash Reserve Account"*.

"**Program Cash Reserve Required Amount**" means (a) on each Payment Date prior to the Payment Date in May, 2021, nil, and (b) on each Payment Date thereafter, an amount equal to 0.50% of the aggregate outstanding principal amount of the Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations after giving effect to all settlements on such Payment Date, or such lesser amount proposed by the Manager that satisfies the Rating Agency Condition.

"**Protection Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Protection Account"*.

"**Protection Event**" has the meaning set out under *"Change of Law Protection Agreement — Protection Event"*.

"**Rating Agency**" means, with respect to any Issuer Funding Obligation, each nationally recognized statistical rating organization or designated rating organization, as specified in the related Funding Obligation Agreement, selected by the Manager to rate such Issuer Funding Obligation.

"**Rating Agency Condition**" has the meaning set out under *"Rating Agency Condition"*.

"**Readjustment amount**" has the meaning ascribed to the term "readjustment amount" in the FHPA and Regulations.

"**Reference Period**" means:

(a) the period beginning on July 1, 2017 and ending on October 31, 2017; and

(b) during the period beginning on November 1, 2017 and ending on either April 30, 2047 or such later day as may be prescribed by the Regulations

(i) every six-month period following the period mentioned in (a);

(ii) any period shorter than six months, as may be prescribed by the Regulations.

"**Refinancing**" has the meaning ascribed to the term "refinancing" in the FHPA.

"**Refinancing Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Refinancing Account"*.

"**Regulated Price Plan**" or "**RPP**" has the meaning set out under "*The Electricity Industry in Ontario — Electricity Prices*.

"**Regulations**" means the regulations promulgated under the FHPA.

"**Regulatory Asset**" has the meaning set out under *"Ontario's Fair Hydro Plan — Regulatory Asset"*.

"**Required Principal Accumulation Amount (Senior)**" means, in respect of any Principal Payment Date, the aggregate of the Principal Accumulation Amounts in respect of all Senior Funding Obligations for all Payment Dates up to and including such Principal Payment Date, less all amounts that have been applied to principal repayments of Senior Funding Obligations on or prior to such Principal Payment Date.

"**Required Principal Accumulation Amount (Subordinated)**" means, in respect of any Principal Payment Date, the aggregate of the Principal Accumulation Amounts in respect of all Subordinated Funding Obligations for all Payment Dates up to and including such Principal Payment Date, less all amounts that have been applied to principal repayments of Subordinated Funding Obligations on or prior to such Principal Payment Date.

"**Saskatchewan Act**" means *The Securities Act, 1988* (Saskatchewan).

"**Section 130.1**" means section 130.1 of the *Securities Act* (Ontario).

"**Section 150**" means section 150 of the *Securities Act* (New Brunswick).

"**Securities Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Securities Account"*.

"**Senior Funding Obligation**" means Funding Obligations arising under, or in connection with, Notes and

Borrowings that have been designated as "Senior" in the related Funding Obligation Agreement.

"**Senior Notes**" has the meaning set out on the face page of this confidential shelf offering memorandum.

"**Senior Notes, Series 2017-1**" has the meaning set out under *"Short Term Indebtedness"*.

"**Series**" means, with respect to any Class of Issuer Funding Obligations, the Series of the Class specified in the related Funding Obligation Agreement.

"**Series Account**" means each Series Finance Reserve Account and each Series Capital Reserve Account.

"**Series Capital Reserve Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Series Accounts — Series Capital Reserve Account"*.

"**Series Finance Reserve Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Series Accounts — Series Finance Reserve Account"*.

"**Servicer**" means the IESO, as servicer under the Master Transfer and Servicing Agreement.

"**Servicer Default**" means:

(a) any failure by the Servicer to remit to the Collection Account any required remittance that shall continue unremedied for a period of three business days after written notice of such failure is received by the Servicer from the Issuer or after discovery of such failure by a responsible officer of the Servicer;

(b) any failure on the part of the Servicer or, so long as the Servicer is the IESO, any failure on the part of the IESO, as the case may be, to duly observe or to perform in any respect any covenants or agreements of the Servicer or the IESO, as the case may be, set forth in the Master Transfer and Servicing Agreement or in any other Program Agreement to which it is a party (other than as provided in (a) above), which failure shall (i) materially and adversely affect the rights of the Specified Creditors and (ii) continue unremedied for a period of 30 days after the date on which (A) written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer or the IESO, as the case may be, by the Issuer or (B) such failure is discovered by a responsible officer of the Servicer;

(c) any representation or warranty made by the Servicer in the Master Transfer and Servicing Agreement, any other Program Agreement to which it is a party, any transfer notice or any monthly servicer report shall prove to have been incorrect when made, which has a material adverse effect on the Issuer and which remains unremedied for a period of 30 days after the date on which (i) written notice thereof, requiring the same to be remedied, shall have been delivered to the Servicer by the Issuer or (ii) such failure is discovered by a responsible officer of the Servicer;

(d) an insolvency event occurs with respect to the Servicer or the IESO; or

(e) any additional "Servicer Default" as specified in any Co-Owner Agreement occurs.

"**Specified Claims**" has the meaning set out under *"Change of Law Protection Agreement"*.

"**Specified Consumer**" has the meaning set out under *"Ontario's Fair Hydro Plan — Background"*.

"**Specified Creditors**" means, collectively, Noteholders, Lenders, the Paying Agent, the Indenture Trustee, the Issuer Trustee, the Manager, the Servicer, the Province of Ontario, Derivative Counterparties, credit enhancers, Rating Agencies and counterparties to underwriting agreements, agency agreements or note purchase agreements, in each case, to the extent of their claims related to Program Agreements, and any other Person that is owed a payment obligation by the Issuer that gives rise to a Finance Amount in respect of the Issuer.

"**Subordinated Funding Obligations**" means Funding Obligations arising under, or in connection with, Notes and Borrowings that have been designated as "Subordinated" in the related Funding Obligation Agreement.

"**Subordinated Notes, Series 2017-1**" has the meaning set out under *"Short Term Indebtedness"*.

"**Subrogation Amounts**" has the meaning set out under *"Change of Law Protection Agreement — Protection Event".*

"**Supplemental Indenture**" means a supplemental indenture to the Master Trust Indenture between the Issuer and the Indenture Trustee.

"**Suspension Event**" has the meaning set out under *"Change of Law Protection Agreement — Suspension Notice & Post-Suspension Refinancings"*.

"**Suspension Notice**" has the meaning set out under *"Change of Law Protection Agreement — Suspension Notice & Post-Suspension Refinancings"*.

"**Term Sheet**" has the meaning set out on the face page of this confidential shelf offering memorandum.

"**Terms Document**" means, with respect to any Tranche of Notes, a supplement to the related Supplemental Indenture.

"**Tranche**" means, with respect to any Series of Notes, Notes of such Series which have identical terms, conditions and Tranche designation. Notes of a single Tranche may be issued on different dates.

"**True-up Amount**" has the meaning set out under *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

"**Unitholders**" means FHP2017 Inc., a wholly-owned subsidiary of OPG, and the Indenture Trustee.

"**Warehouse Facilities**" has the meaning set out under *"Short Term Indebtedness"*.

"**Warehouse Obligations**" means Senior Funding Obligations incurred pursuant to a Funding Obligation Agreement that provide the Issuer with a revolving facility under which principal amounts can be advanced, repaid and again advanced during a committed revolving period and does not provide any other type of credit facility.

SCHEDULE A – CANADIAN PROVINCIAL SECURITIES REGULATORY AUTHORITIES

Alberta Securities Commission
Suite 600, 250 – 5th Street SW
Calgary, Alberta T2P 0R4
Telephone: (403) 297-6454
Toll free in Canada: 1-877-355-0585
Facsimile: (403) 297-2082
Public official contact regarding indirect collection of information: FOIP Coordinator

British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia V7Y 1L2
Inquiries: (604) 899-6854
Toll free in Canada: 1-800-373-6393
Facsimile: (604) 899-6581
Email: FOI-privacy@bcsc.bc.ca
Public official contact regarding indirect collection of information: FOI Inquiries

The Manitoba Securities Commission
500 – 400 St. Mary Avenue
Winnipeg, Manitoba R3C 4K5
Telephone: (204) 945-2561
Toll free in Manitoba 1-800-655-5244
Facsimile: (204) 945-0330
Public official contact regarding indirect collection of information: Director

Financial and Consumer Services Commission (New Brunswick)
85 Charlotte Street, Suite 300
Saint John, New Brunswick E2L 2J2
Telephone: (506) 658-3060
Toll free in Canada: 1-866-933-2222
Facsimile: (506) 658-3059
Email: info@fcnb.ca
Public official contact regarding indirect collection of information: Chief Executive Officer and Privacy Officer

Government of Newfoundland and Labrador Financial Services Regulation Division
P.O. Box 8700
Confederation Building
2nd Floor, West Block
Prince Philip Drive
St. John's, Newfoundland and Labrador A1B 4J6
Attention: Director of Securities
Telephone: (709) 729-4189
Facsimile: (709) 729-6187
Public official contact regarding indirect collection of

Nova Scotia Securities Commission
Suite 400, 5251 Duke Street
Duke Tower
P.O. Box 458
Halifax, Nova Scotia B3J 2P8
Telephone: (902) 424-7768
Facsimile: (902) 424-4625
Public official contact regarding indirect collection of information: Executive Director

Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, Ontario M5H 3S8
Telephone: (416) 593-8314
Toll free in Canada: 1-877-785-1555
Facsimile: (416) 593-8122
Email: exemptmarketfilings@osc.gov.on.ca
Public official contact regarding indirect collection of information: Inquiries Officer

Prince Edward Island Securities Office
95 Rochford Street, 4th Floor Shaw Building
P.O. Box 2000
Charlottetown, Prince Edward Island C1A 7N8
Telephone: (902) 368-4569
Facsimile: (902) 368-5283
Public official contact regarding indirect collection of information: Superintendent of Securities

Autorité des marchés financiers
800, Square Victoria, 22e étage
C.P. 246, Tour de la Bourse
Montréal, Québec H4Z 1G3
Telephone: (514) 395-0337 or 1-877-525-0337
Facsimile: (514) 873-6155 (For filing purposes only)
Facsimile: (514) 864-6381 (For privacy requests only)
Email: financementdessocietes@lautorite.qc.ca (For corporate finance issuers)
Public official contact regarding indirect collection of information: Corporate Secretary

Financial and Consumer Affairs Authority of Saskatchewan
Suite 601 - 1919 Saskatchewan Drive
Regina, Saskatchewan S4P 4H2
Telephone: (306) 787-5842
Facsimile: (306) 787-5899
Public official contact regarding indirect collection of information: Director

information: Superintendent of Securities

EXHIBIT 1

INVESTOR PRESENTATION

(See attached.)

Document comparison by Workshare Compare on Friday, January 12, 2018 10:45:15 AM

Input:	
Document 1 ID	PowerDocs://TOR_2528/23287504/1
Description	TOR_2528-#23287504-v1-Fair_Hydro_OM_-_Comments_of_the_Province
Document 2 ID	PowerDocs://TOR_2528/23287504/6
Description	TOR_2528-#23287504-v6-Fair_Hydro_OM_-_Comments_of_the_Province
Rendering set	standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	510
Deletions	246
Moved from	11
Moved to	11
Style change	0
Format changed	0
Total changes	778

This confidential shelf offering memorandum constitutes an offering of these securities only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale. This confidential shelf offering memorandum is not, and in no circumstances is to be construed as, a prospectus or advertisement or public offering of these securities. ***No securities commission or similar authority in Canada or in any other jurisdiction has reviewed this material or in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.*** *Persons who acquire securities pursuant to this confidential shelf offering memorandum will not have the benefit of the review of this material by any securities commission or similar authority. The information contained in this confidential shelf offering memorandum has been furnished or supplied by the Issuer based on the most accurate information available as at the date hereof and there is no representation or warranty by the Agents as to the accuracy or completeness of such information. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "****U.S. Securities Act****") or any state securities laws and may not be offered or sold within the United States or to, or for the account of, U.S. persons (within the meaning of Regulation S under the U.S. Securities Act) unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available. See "Plan of Distribution". This confidential shelf offering memorandum is confidential and contains certain information not publicly disclosed. No one is authorized to make any representation or give any warranty on behalf of the Issuer other than those representations and warranties made or referred to in this confidential shelf offering memorandum.*

The information contained in this confidential shelf offering memorandum and delivered in connection with the private placement of the Senior Notes by the Issuer is confidential, is for the confidential use of only those persons to whom it is delivered in connection with the offering solely for the purpose of considering the purchase of the Senior Notes and its use for any other purpose is prohibited. By accepting this confidential shelf offering memorandum, each prospective purchaser agrees that it will not transmit, reproduce or make available to anyone, other than their respective advisors (so long as they advise such advisors of the confidential nature of such document), this confidential shelf offering memorandum (including any Term Sheets) or any information contained herein, and will not use such information (or permit its advisors to use such information) for any purpose other than to evaluate an investment in the Senior Notes pursuant to an Offering.

CONFIDENTIAL SHELF OFFERING MEMORANDUM

New Issue By Way of Private Placement January ■, 2018

FAIR HYDRO TRUST
Senior Secured Notes

Fair Hydro Trust (the "**Issuer**"), a special purpose trust ~~established under~~governed by the laws of the Province of Ontario, established by Computershare Trust Company of Canada, acting as trustee of the Issuer, and caused to be established by Ontario Power Generation Inc. ("**OPG**"), as Financial Services Manager (as hereinafter defined), has created a program providing for the offering and issuance of senior secured notes (the "**Senior Notes**"), in one or several offerings. The Issuer was established in connection with the *Ontario Fair Hydro Plan Act, 2017* (the "**FHPA**"), legislation [that reallocates certain electricity costs over time and provides immediate rate relief to Specified Consumers (a category of consumers that generally is comprised of residential consumers, small businesses and farms).][1] Under the FHPA, OPG is appointed as the initial financial services manager (in such capacity, the "**Financial Services Manager**") and is given the authority to, among other things, establish, or cause to be established, one or more financing entities (each, a "**Financing Entity**") to incur payment obligations (referred to as "**Funding Obligations**") for the purposes of the FHPA.[2] The Issuer is a Financing Entity under the FHPA and the Senior Notes are Funding Obligations being offered for the purposes of the FHPA.

The Senior Notes do not constitute a debt, liability or other obligation of, or interest in, OPG or any of its other affiliates (other than the Issuer). The Senior Notes are not a debt, liability or obligation of the Province of Ontario or any of its political subdivisions, agencies or instrumentalities. The Senior Notes will not be insured or guaranteed by the Province of Ontario, OPG or any of their respective affiliates or any other person or entity, except that the Province of Ontario has agreed to provide a limited guarantee in respect of the Senior Notes following the occurrence of certain events. See *"Change of Law Protection Agreement"*. The Senior Notes will be ~~nonrecourse~~limited recourse obligations, secured only by the collateral described in this confidential shelf offering memorandum. See *"Capital Markets Platform — Acceleration and Remedies — Limited Recourse"* and *"Risk Factors"*.

[1] **Note:** This narrative should be removed or, if necessary, it should track the purposes of the FHPA set out in Section 3 of the Act.
[2] **Note:** The statutory definition of "funding obligation" provides that the funding obligations have the purpose of funding ownership in an investment interest. Please consider revising the definition of "funding obligation" to more closely track that in the Act.

The specific terms of any offering of Senior Notes, including, without limitation, the aggregate principal amount of Senior Notes being offered, the currency of the Senior Notes, the issue price (at par, at a discount or at a premium), the issue, delivery and maturity dates, any redemption or repayment provisions, the rating of the Senior Notes at the time of such offering, the interest (either fixed or floating and the circumstances, if any, under which the rate may be adjusted), the interest rate basis and interest payment dates, will be established by the Issuer and set forth in a term sheet (a "**Term Sheet**") that will accompany, be incorporated by reference in and form an integral part of this confidential shelf offering memorandum. Unless otherwise specified in a Term Sheet, the Senior Notes will not be listed on any securities exchange.

The offering of Senior Notes from time to time (each, an "**Offering**") will be made pursuant to exemptions from the prospectus requirements of applicable securities laws in each of the provinces of Canada only to "accredited investors" (as such term is defined in National Instrument 45-106 – *Prospectus Exemptions* ("**NI 45-106**") and, in the case of a purchaser resident in Ontario, section 73.3(1) of the *Securities Act* (Ontario)) that are purchasing the Senior Notes as principal and that are not individuals unless those individuals are also "permitted clients" (as such term is defined in National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("**NI 31-103**")). Purchasers of Senior Notes will be obliged to establish their qualification to invest in accordance with the requirements of the securities laws of the jurisdiction in which they reside. See *"Representations and Agreements of Purchasers"*. As each Offering will be made pursuant to exemptions from prospectus requirements of applicable securities laws, there will be restrictions on the resale of the Senior Notes. See *"Risk Factors"* and *"Restrictions on Resale"*.

The Senior Notes may be sold by the Issuer directly pursuant to applicable statutory exemptions or through agents designated by the Issuer from time to time (the "**Agents**"). See *"Plan of Distribution"*. Each Term Sheet will identify the Agents engaged to conditionally offer the Senior Notes for sale on a best efforts basis, subject to prior sale, in connection with the applicable Offering of Senior Notes and will also set forth the terms of such Offering of Senior Notes, including the net proceeds to the Issuer and, to the extent applicable, any fees payable to the Agents.

Subscriptions for the Senior Notes will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Senior Notes will be delivered and recorded in book-entry form through CDS Clearing and Depository Services Inc. ("**CDS**") or another depository selected by the Issuer in accordance with the master trust indenture governing the Senior Notes. The Senior Notes will be represented by fully registered book-entry notes held by, or on behalf of, such depository, or a successor thereof, as the custodian of the book-entry notes, in its name or the name of its nominee.

The Senior Notes will be issued under and will be entitled to the benefits of a master trust indenture dated as of December 21, 2017 between the Issuer, as issuer, and BNY Trust Company of Canada, as indenture trustee, as amended or supplemented by supplemental indentures thereto.

In making an investment decision, prospective investors acknowledge that they have not relied on the Agents or any person affiliated with the Agents for investment or other advice and are relying on their own examination of the terms of an Offering, including the merits and risks involved and creditworthiness of the Issuer. Prospective investors are not to construe the contents of this document as legal, tax, accounting or investment advice. Prior to investing in the Senior Notes, prospective investors should consult with their legal, tax, accounting and investment advisors to determine the consequences of an investment in the Senior Notes. See *"Risk Factors"* for a discussion of certain factors that should be considered by prospective purchasers of Senior Notes.

The Issuer is not a "reporting issuer" (as such term is defined under applicable Canadian securities laws) in any jurisdiction. The Issuer will only distribute the Senior Notes in Canada under exemptions from the prospectus requirements of the securities laws of the provinces where they are sold. The Senior Notes may only be traded in Canada under exemptions from the prospectus requirements of the securities laws of the provinces in which they are traded and only through dealers registered or exempt from the dealer registration requirements of applicable Canadian securities laws. See *"Restrictions on Resale"*.

There is currently no secondary market for the Senior Notes. There can be no assurance that a secondary market will develop or, if a secondary market does develop, that it will provide holders of Senior Notes with

liquidity for their investment or that it will continue for the term of the applicable Senior Notes. Accordingly, purchasers of the Senior Notes may be required to bear the financial risk of investing in such Senior Notes until the maturity date of such Senior Notes.

No person is authorized to give any information or make any representation other than those contained in this confidential shelf offering memorandum in connection with an Offering and any decision to purchase Senior Notes should be based solely on the information contained herein. The Term Sheet applicable to such Offering and the investor presentation (the "**Investor Presentation**"), attached hereto as Exhibit 1, are incorporated by reference and included in, respectively, and form an integral part of, this confidential shelf offering memorandum. The information contained in the Investor Presentation is current only as of the date thereof. The Investor Presentation may be updated and replaced by the Issuer in connection with an Offering and such updated Investor Presentation will be attached as Exhibit 1, and will be included in, and form an integral part of, this confidential shelf offering memorandum delivered in respect of such Offering.

This confidential shelf offering memorandum, including the Investor Presentation attached hereto, and any Term Sheets, are provided on a confidential basis to prospective investors for informational use solely in connection with their consideration of the purchase of Senior Notes. Use for any other purpose is not authorized. Each Offering will be made solely on the basis of the information contained herein or incorporated by reference which has been furnished by the Issuer. No Agent makes any representation or warranty, express or implied, as to the accuracy, adequacy or completeness of such information. Furthermore, no Agent has independently verified the information in this confidential shelf offering memorandum and has no responsibility for the accuracy, adequacy or completeness of any such information.

This confidential shelf offering memorandum does not contain all of the information that would normally appear in a prospectus qualified under applicable Canadian securities laws. Neither the delivery of this confidential shelf offering memorandum, at any time, nor any sales made pursuant hereto, will imply that the information contained herein is correct as of any time subsequent to the date set forth on the face page hereof and the Issuer and the Agents will not update such information except as may be required by applicable law.

Capitalized terms used and not otherwise defined in this confidential shelf offering memorandum have the meanings ascribed to them in the glossary starting on page [92] of this confidential shelf offering memorandum. All figures in this confidential shelf offering memorandum are in Canadian dollars unless otherwise noted.

TABLE OF CONTENTS

Page

CAUTION REGARDING FORWARD-LOOKING INFORMATION v
CONFIDENTIALITY vii
DOCUMENTS INCORPORATED BY REFERENCE vii
MARKET AND INDUSTRY DATA viii
REFERENCES TO THE FHPA AND RELATED REGULATIONS viii
SUMMARY 1
THE ELECTRICITY INDUSTRY IN ONTARIO 17
ONTARIO'S FAIR HYDRO PLAN 20
CHANGE OF LAW PROTECTION AGREEMENT 27
THE ISSUER 32
THE MANAGER 34
SUBORDINATED DEBT 36
SHORT TERM INDEBTEDNESS 37
THE TRANSFEROR AND SERVICER 38
CREDIT RATINGS 40
RATING AGENCY CONDITION 41
CAPITAL MARKETS PLATFORM 41
DESCRIPTION OF NOTES 65
DEPOSITORY SERVICES 67
PLAN OF DISTRIBUTION 69
RISK FACTORS 69
REPRESENTATIONS AND AGREEMENTS OF PURCHASERS 82
LANGUAGE OF DOCUMENTS 86
RESTRICTIONS ON RESALE 86
REPORTING REQUIREMENTS 87
STATUTORY RIGHTS OF ACTION 87
INDENTURE TRUSTEE 97
LEGAL MATTERS 97
GLOSSARY 98
SCHEDULE A – CANADIAN PROVINCIAL SECURITIES REGULATORY AUTHORITIES 110
EXHIBIT 1 111

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Some of the statements contained in this confidential shelf offering memorandum, including those relating to the Issuer's expectations, forecasts, strategic and other statements, are forward-looking information within the meaning of securities laws. Forward-looking information is contained in the summary and in the sections titled *"Ontario's Fair Hydro Plan — Fair Allocation Amount & Financing Plan"*, *"Subordinated Debt"*, *"■"*[3] and *"Risk Factors"* of this confidential shelf offering memorandum and *"Financing Plan / Strategy"*, *"Financing Structure"*, *Aggregate Financing Program"*, *"■"*[4] and *"Consumer Bill Forecast with FHP"* of the Investor Presentation. The forward-looking statements contained in this confidential shelf offering memorandum are presented for the purposes of assisting potential purchasers in making an investment decision regarding the Senior Notes and may not be appropriate for other purposes.

Often, but not always, forward-looking information can be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management of the Issuer made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that the Issuer believes to be relevant and reasonable at the date that such statements are made. A variety of factors, many of which are beyond the Issuer's control, may cause actual results to differ materially from the expectations expressed in the forward-looking statements. These factors include, but are not limited to, the following risks:

Judicial, Legislative or Regulatory Risks:

- Future legal action might challenge or invalidate the FHPA or the Regulations and materially adversely affect a holder's investment in the Senior Notes.
- Future legislative action to change the FHPA, the Regulations, the Change of Law Protection Agreement or the electricity market might materially adversely affect a holder's investment in the Senior Notes.
- Future regulatory action to change the rules applicable to the operation of the electricity market might materially adversely affect a holder's investment in the Senior Notes.
- Future judicial action could reduce the value of a holder's investment in the Senior Notes.
- Potential difficulties in enforcing civil liabilities against the Province of Ontario may arise.

Risks Associated with the Unusual Nature of the Investment Asset:

- Clean Energy Adjustments will not be payable until May 1, 2021 and until such time the IESO will be the sole source of funds for payment on the Senior Notes.
- The Issuer's ability to enforce security granted by the IESO may be impaired or delayed.
- A holder of Senior Notes may experience material payment delays because the source of funds for payment after the Moratorium Period is limited.
- The Clean Energy Adjustment may not be billed after April 30, 2047, unless further regulations to extend that date are passed.
- Foreclosure of the Indenture Trustee's lien on the Investment Interest securing the Senior Notes might not be practical and acceleration of the Senior Notes before maturity might have little practical effect.
- The Issuer may issue multiple Series of Senior Notes secured by the Investment Interest and some decisions affecting holders of Senior Notes may require approval by resolution of the holders of all Series of Senior Notes.
- If a Series of Senior Notes or all Senior Notes are accelerated, a holder of Senior Notes might receive payment of principal sooner or later than expected.
- The Issuer may have a co-ownership interest in the Investment Asset with other Financing Entities.
- If the Clean Energy Adjustment amounts and other funds held in the Issuer Accounts results in investment losses or the investments become illiquid, a holder of Senior Notes might receive payment of principal of and interest on the Senior Notes later than expected.

[3] **Note:** Please complete.
[4] **Note:** Please complete.

Servicing, Operating and Consumer Risks

- Payments on the Senior Notes depend on the performance of Electricity Vendors and the IESO.
- Payments on the Senior Notes depend on the performance of OPG as Financial Services Manager and as Manager of the Issuer.
- Inaccurate consumption forecasting or unanticipated delinquencies or write-offs might reduce or delay scheduled payments on the Senior Notes.
- Changes to billing and collection practices may reduce the amount of funds available for payments on the Senior Notes.
- Limits on rights to terminate service to Specified Consumers might make it more difficult to collect the Clean Energy Adjustment.
- It might be difficult for the Issuer to collect the Clean Energy Adjustment from Specified Consumers.
- Indemnification obligations of OPG and the IESO are limited and might not be sufficient to protect the investments in the Senior Notes.
- Delinquent or partial payments of electricity bills may make principal payments on the Senior Notes occur later than expected.
- Power outages could impair payment of the Senior Notes.[5]
- Technological changes that make alternative energy sources more attractive in the future or significant population fluctuations may result in fewer Specified Consumers from whom to collect the Clean Energy Adjustment.

Insolvency-Related Risks

- If the Issuer were to become subject to Canadian Insolvency and Restructuring Laws, the Indenture Trustee's ability to enforce security granted by the Issuer may be significantly impaired or delayed.
- If the IESO or any Electricity Vendor were to become subject to Canadian Insolvency and Restructuring Laws, collections that have been commingled may be unrecoverable and the Issuer's ability to enforce its rights against the IESO may be significantly impaired or delayed.
- If OPG were to become subject to Canadian Insolvency and Restructuring Laws, the Issuer's ability to enforce its rights against OPG may be significantly impaired or delayed and the Issuer's assets and liabilities may be substantively consolidated with those of OPG.
- If the Issuer Trustee were to become subject to Canadian Insolvency and Restructuring Laws, the assets and liabilities of the Issuer may be substantively consolidated with the Issuer Trustee.
- If a Specified Consumer were to become subject to Canadian Insolvency and Restructuring Laws, the Issuer's ability to collect Clean Energy Adjustment amounts from such Specified Consumer may be adversely affected.
- If amounts in the Issuer Accounts for any Series are invested with entities that become subject to insolvency proceedings, the Issuer's ability to make payments to holders of Senior Notes may be adversely affected.

Other Risks:

- The credit ratings are not an indication of the expected rate of payment of principal on the Senior Notes.
- If the ratings on the Senior Notes are withdrawn or revised downward, the value of a holder's investment in the Senior Notes may be adversely affected.
- The credit ratings of the IESO, OPG and the Province of Ontario might affect the market value of the Senior Notes.
- The absence of an established market for the Senior Notes might limit the ability to resell or refinance the Senior Notes.
- Restrictions on resale might limit the ability to resell the Senior Notes.

Please also see *"Risk Factors"*.

The Issuer does not intend, or assume any obligation, to update any forward-looking information except as may be required by applicable law.

[5] Is this relevant? Is the concern that the CEA would be spread across a relatively smaller base due to lower usage in a period?

CONFIDENTIALITY

PRIOR TO RECEIVING THIS CONFIDENTIAL SHELF OFFERING MEMORANDUM, EACH PROSPECTIVE PURCHASER MUST HAVE ENTERED INTO A CONFIDENTIALITY UNDERTAKING WITH THE ISSUER (IN A FORM ACCEPTABLE TO THE ISSUER) WHICH PROVIDES THAT BY ACCEPTING A COPY OF THIS CONFIDENTIAL SHELF OFFERING MEMORANDUM, EACH PROSPECTIVE PURCHASER AGREES THAT ALL INFORMATION CONTAINED HEREIN, ALL DOCUMENTS DELIVERED IN CONNECTION HEREWITH AND ALL OTHER INFORMATION OBTAINED BY PROSPECTIVE PURCHASERS IN RELATION TO THE ISSUER (COLLECTIVELY, THE "**CONFIDENTIAL INFORMATION**") IS CONFIDENTIAL, THAT NONE OF THE CONFIDENTIAL INFORMATION WILL BE COPIED, TRANSCRIBED, RECORDED OR TRANSMITTED BY THE RECIPIENT FOR ANY REASON OR USED FOR ANY PURPOSE OTHER THAN EVALUATING AN INVESTMENT IN THE NOTES, AND THAT THE RECIPIENT WILL HOLD ALL OF THE CONFIDENTIAL INFORMATION IN CONFIDENCE AND WILL NOT PROVIDE ANY OF IT TO ANY THIRD PARTIES OTHER THAN PERSONS RETAINED TO ADVISE THE RECIPIENT WITH RESPECT TO THE PURCHASE OF THE NOTES (SO LONG AS THEY ADVISE SUCH PERSONS OF THE CONFIDENTIAL NATURE OF SUCH CONFIDENTIAL INFORMATION), WITHOUT THE PRIOR WRITTEN CONSENT OF THE ISSUER. ***[NTD: Logistics to be discussed between Dealers and OPG.]***

DOCUMENTS INCORPORATED BY REFERENCE

A Term Sheet containing the specific variable terms in respect of an Offering will be delivered to prospective purchasers of Senior Notes together with this confidential shelf offering memorandum and will be deemed to be incorporated into this confidential shelf offering memorandum as of the date of such Term Sheet, solely for the purposes of the Senior Notes issued under such Term Sheet.

The information contained in the Investor Presentation is current only as of the date thereof. The Investor Presentation may be updated and replaced by the Issuer in connection with an Offering and such updated Investor Presentation will be attached as Exhibit 1, and will be included in, and form an integral part of, this confidential shelf offering memorandum delivered in respect of such Offering.

Any statement contained in the confidential shelf offering memorandum or in any document incorporated or deemed to be incorporated by reference in the confidential shelf offering memorandum shall be deemed to be modified or superseded, to the extent that a statement contained herein or in any other subsequent document which is or is deemed to be incorporated by reference in the confidential shelf offering memorandum, modifies or supersedes such prior statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of the confidential shelf offering memorandum, except as so modified or superseded.

MARKET AND INDUSTRY DATA

Certain of the information contained herein concerning the electricity industry in Ontario is based upon or derived from information provided by third party sources, including industry publications and other publicly available industry sources. Neither the Issuer nor the Agents guarantee the accuracy of such information and neither the Issuer nor the Agents have independently verified the assumptions upon which projections of future trends and performance are based. This information and data is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey of market or industry data. As a result, prospective purchasers should be aware that the information and data set forth herein, and estimates and beliefs based on such information and data, may not be reliable.

REFERENCES TO THE FHPA AND RELATED REGULATIONS

This confidential shelf offering memorandum describes certain provisions of the *Ontario Fair Hydro Plan Act, 2017* and the regulations made pursuant to that Act. These descriptions include simplified and summary descriptions of the terms and requirements of the legislation and do not purport to be comprehensive, definitive or determinative. All references in this confidential shelf offering memorandum to the terms and requirements of the *Ontario Fair Hydro Plan Act, 2017* and the regulations made pursuant to that Act are qualified in their entirety by reference to the specific terms and requirements set forth in such legislation, copies of which are available at https://www.ontario.ca/laws/statute/17o16.

SUMMARY

This summary does not contain all the information prospective purchasers should consider before investing in the Senior Notes. Prospective purchasers should read this entire confidential shelf offering memorandum carefully, including the section entitled "Risk Factors". Capitalized terms used and not otherwise defined in this summary have the meanings ascribed to them in the glossary starting on page [92] of this confidential shelf offering memorandum.

Issuer:	Fair Hydro Trust, a special purpose trust governed by the laws of the Province of Ontario.
Manager:	Ontario Power Generation Inc. ("**OPG**"), pursuant to the terms of the Management Agreement.
Limitations:	The Senior Notes do not constitute a debt, liability or other obligation of, or interest in, OPG or any of its other affiliates (other than the Issuer). The Senior Notes are not a debt, liability or obligation of the Province of Ontario or any of its political subdivisions, agencies or instrumentalities. The Senior Notes will not be insured or guaranteed by the Province of Ontario, OPG or any of their respective affiliates or any other person or entity, except that the Province of Ontario has agreed to provide a limited guarantee in respect of the Senior Notes following the occurrence of certain events. See *"— Change of Law Protection Agreement".*
Ontario Fair Hydro Plan Act:	On June 1, 2017, the Ontario Legislature passed the Ontario Fair Hydro Plan Act, 2017 (the "**FHPA**"). The FHPA was enacted to: (i) ensure that Clean Energy Costs and Clean Energy Benefits are fairly allocated among present and future Specified Consumers (a category of consumers that generally is comprised of residential consumers, small businesses and farms); (ii) recognize that Clean Energy Benefits have accrued and will accrue over time and will continue to benefit present and future electricity consumers in Ontario; and (iii) align Clean Energy Costs with Clean Energy Benefits, in order to provide fairness for Specified Consumers over time. As a result, from July 1, 2017 until April 30, 2018, electricity rates payable by Specified Consumers will in effect be the rate that would result in a representative consumer being charged an invoice amount that is 25%[6] less than the rate that would otherwise have been determined by the Ontario Energy Board (the "**OEB**") under its Regulated Price Plan[7] for that period. Under the FHPA, OPG is appointed as the initial financial services manager (in such capacity, the "**Financial Services Manager**") and is given the authority to, among other things, establish, or cause to be established, one or more financing entities (each, a "**Financing Entity**") to incur payment obligations (referred to as "**Funding Obligations**") for the purposes of the FHPA and the Regulations.[8] The

[6] The 25% reduction includes an 8% rebate equivalent to the provincial portion of the harmonized sales tax previously granted by the Ontario government.

[7] Specified Consumers, as a class, are not a one-to-one equivalent class to the RPP consumer class.

[8] **Note:** The statutory definition of "funding obligation" provides that the funding obligations have the purpose of funding ownership in an investment interest. Please consider revising the definition of "funding obligation" to more closely track that in the Act.

	Issuer is a Financing Entity[9] under the FHPA and the Regulations and the Notes are Funding Obligations being offered for the purposes of the FHPA and the Regulations. See *"Ontario's Fair Hydro Plan — Background"*.
Summary of the Fair Hydro Financing Program:	The implementation of the Fair Hydro Plan is intended to be financed by the Issuer through the Fair Hydro financing program. The program provides for the offering and issuance by the Issuer of Senior Notes, in any number of series (each a "**Series**"), in one or several offerings (each, an "**Offering**"). A Term Sheet will describe particulars of the terms of each Series of Senior Notes and will be incorporated by reference and form an integral part of this confidential shelf offering memorandum. Each Series of Senior Notes will be issued under the master trust indenture dated as of December 21, 2017 (as amended, supplemented, restated or otherwise modified from time to time, the "**Master Trust Indenture**") between the Issuer, as issuer, and BNY Trust Company of Canada, as indenture trustee (the "**Indenture Trustee**"), as supplemented by a supplemental indenture dated the date of the issuance of such Series between the Issuer and the Indenture Trustee (a "**Supplemental Indenture**" and collectively with the Master Trust Indenture, the "**Indenture**") authorizing that Series.
Transferor and Servicer:	The Independent Electricity System Operator (the "**IESO**") is a not-for-profit corporation established under the *Electricity Act, 1998* (Ontario). The IESO manages the operation and reliability of Ontario's bulk power system and administers the wholesale electricity market.[10] Each month, the IESO will determine the shortfall resulting from the rate reduction mandated by the FHPA and record the amount in a variance account. The IESO has the right, exercisable in accordance with the FHPA and the Regulations, to recover the balance recorded in the variance account from Specified Consumers (such right, the "**Regulatory Asset**"). However, the FHPA provides that the IESO is not permitted to exercise such right before May 1, 2021 is limited under the FHPA. The IESO has entered into a master transfer and servicing agreement with the Issuer dated as of December 21, 2017 (as amended, supplemented, restated or otherwise modified from time to time, the "**Master Transfer and Servicing Agreement**") pursuant to which the IESO may, on a monthly basis, offer to transfer a specified portion of the Regulatory Asset to the Issuer in accordance with the FHPA. See *"Transferor and Servicer"*.
Investment Interest:	Upon acceptance of the transfer by the IESO of a specified portion of the Regulatory Asset, the Issuer will acquire an Investment Interest in the Investment Asset, which is a current and irrevocable property right consisting of the rights specified in the FHPA, including the right and interest to impose, invoice, collect, receive and recover the Clean Energy Adjustment from Specified Consumers in accordance with the FHPA and the Regulations. See *"— Clean Energy Adjustment"* below and *"Ontario's Fair Hydro Plan — Regulatory Asset"*, *"Ontario's Fair Hydro Plan — Investment Interest"* and *"The Transferor and*

[9] **Note**: Elsewhere, the disclosure refers only to the Issuer without adverting to the possibility of other future Financing Entities. To the extent that this simplification suggests in a particular context that other future Financing Entities would not be permitted or similarly treated, references to the Trust should be broadened to encompass the possibility of future Financing Entities.

[10] **Note:** Consider also referring to IESO's planning and procurement functions. They may be meaningful here to the extent they impact IESO objectives and governance generally.

Servicer".

Clean Energy Adjustment:

The FHPA and the Regulations impose an irrevocable and non-bypassable charge referred to as the Clean Energy Adjustment that will be determined by the Financial Services Manager based on the calculations and parameters set out in the FHPA. The OEB is required to determine the rates at which Specified Consumers are to be invoiced in order to recover the Clean Energy Adjustment in respected of a specified Reference Period (which is generally a six month period, or a shorter period in certain circumstances). The rates are to be determined by reference to forecasted electricity consumption of Specified Consumers for a period and are expressed as a cent per KWh rate. See *"— Statutory Duties of the OEB"* below.

The required Clean Energy Adjustment will be determined by the Financial Services Manager for each month in a Reference Period and consists of the sum (without duplication) of: (i) the estimated Finance Amount in respect of the Reference Period, which will include an estimate of all repayments, redemptions, funding costs, derivative payments, required deposits, Issuer expenses and taxes, and other amounts paid or payable during such Reference Period, and (ii) the True-up Amount for such Reference Period, all divided by the number of months in the applicable Reference Period.

The "**True-up Amount**" is required to be calculated by the Financial Services manager in accordance with the Regulations. In principle, the True-up Amount should serve to ensure that the collection of the Clean Energy Adjustment is sufficient to pay the Finance Amount when it is due, by capturing any Finance Amounts not previously received in respect of the Clean Energy Adjustment during preceding Reference Periods.

The True-up Amount may also reflect historical and reasonably foreseeable differences between the estimated and actual Finance Amount; between amounts invoiced and amounts collected due to various factors, including applicable taxes, consumer defaults and delays, billing lags and write-offs; and variations in billings due to variations in electricity consumption. In determining such differences, the Financial Services Manager is required to have regard to amounts payable that were not collected and any amounts in respect of which an overpayment was made, which may include amounts resulting from a default of Specified Consumers, an Electricity Vendor or the IESO, whether in its capacity as an Electricity Vendor or its activities as agent or otherwise under the FHPA and the Regulations. The Financial Services Manager is obligated to calculate the True-up Amount in respect of each Reference Period so long as all Funding Obligations and other Finance Amounts have not been paid in full. The Financial Services Manager may also, at any time during a Reference Period, determine an interim True-up Amount if, among other things, it reasonably forecasts that the collection of the Clean Energy Adjustment will be insufficient to pay the estimated Finance Amount for a Reference Period.

[Commencing May 1, 2021, a charge in respect of the Clean Energy Adjustment will be included on invoices sent to Specified Consumers, and collected and remitted to the Issuer to pay amounts owing on the

Senior Notes and all other administrative and other financing expenses of the Issuer. From July 1, 2017 until April 30, 2021 (the "**Moratorium Period**"), no Clean Energy Adjustment amounts are permitted to be collected from Specified Consumers. During the Moratorium Period, the sole source of funds for payment on the Senior Notes, and the Issuer's other Carrying Costs, will be the amounts the IESO is obligated to pay under the Regulations during such period. See *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.][11]

Non-bypassability:

The FHPA mandates that an amount in respect of the Clean Energy Adjustment shown on an invoice issued to a Specified Consumer is determinative of the amount of the consumer's indebtedness resulting from the Clean Energy Adjustment, and is irrevocable on invoicing such Specified Consumer and may not be set off or bypassed. See *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

Payment of Carrying Costs during the Moratorium Period:

During the Moratorium Period and extending to July 31, 2021,[12] the IESO, which is rated A(high) by DBRS Limited ("**DBRS**") and Aa2 by Moody's Investors Services, Inc. ("**Moody's**"), is required under the Regulations to pay and remit to the Issuer any amounts charged to the IESO by the Issuer in respect of its Carrying Costs. Under the Regulations, Carrying Costs include all funding costs, such as interest on the Senior Notes, and other expenses of the Issuer, other than repayment of principal on any debt obligations of the Issuer (such as principal on the Senior Notes).[13]

Pursuant to the Master Transfer and Servicing Agreement, on or before the fourth business day of each calendar month, the Issuer will submit a carrying costs statement to the IESO certifying the amount of Carrying Costs estimated to be incurred by the Issuer in the following month. On or before the 14th business day following receipt of the Issuer's carrying costs statement,[14] the IESO is required to deliver the amount specified therein to the Issuer. See *"The Transferor and Servicer"*. The IESO has a $2 billion unsecured credit facility provided by the Ontario Financing Authority, expiring ■, 20■, which is permitted to be used to pay the Issuer's Carrying Costs. The amounts paid by the IESO to fund these Carrying Costs will be recorded by the IESO in a variance account and form part of the Regulatory Asset that the IESO is expected to transfer to the Issuer in a subsequent period and, upon such transfer, will become part of the Issuer's Investment Interest pursuant to the Regulations.

As security for the performance of its obligation under the Regulations to pay the Issuer's Carrying Costs, the IESO has granted the Issuer a first-priority security interest in all of its accounts receivable, which includes the amounts receivable by the IESO from Electricity Vendors

[11] **Note:** This narrative should more precisely track the FHPA. The relevant provisions are Section 25(3) [*the IESO shall not be entitled to collect all or part of the balance recorded in the variance account from specified consumers before May 1, 2021*] and Section 21(4) *[limitation on the Financial Services Manager incurring funding obligations payable through Clean Energy Adjustments from July 1, 2017 to April 30, 2021*]. In particular, the suggestion that CEAs cannot be collected in any circumstance during the Moratorium Period goes beyond 21(4) and presumes that there will be no Readjustment.

[12] **Note:** Please clarify this disclosure for consistency with Section 9.1(1) of the General Regulation. This provision states that the IESO shall pay financing entity carrying costs in respect of the period beginning June 1, 2017 (before the Moratorium Period) and ending on July 31, 2021.

[13] **Note:** Consider revising to conform with Section 9.3(3) of the General Regulation. This Section provides that "carrying costs" also include derivative payments, etc.

[14] **Note:** Not sure how this lines up with fee recovery.

with respect to the global adjustment charge. See *"The Transferor and Servicer"*. For a further description of the global adjustment charge, see *"The Electricity Industry in Ontario — Electricity Prices"*.

Acceleration of Indebtedness:

A holder of Senior Notes must rely solely on the Clean Energy Adjustment amounts collected and any available reserve accounts for repayment of principal on the Senior Notes. Accordingly, if all or any portion of the principal amount of any indebtedness of the Issuer (including one or more Series of Senior Notes) becomes due and payable during the Moratorium Period and before its scheduled payment date, maturity date or redemption date, the source of funds for repayment of principal may be limited.

If all or any portion of the principal amount of any indebtedness of the Issuer (including one or more Series of Senior Notes) becomes due and payable after the Moratorium Period and before its scheduled payment date, maturity date or redemption date, then the estimated Finance Amount used by the Financial Services Manager to determine the Clean Energy Adjustment for a period will be determined without regard to the fact that such amount has become due and payable, unless and only to the extent that the amount of the Clean Energy Adjustment is capable of being increased based on the Fair Allocation Amount for such period. See *"— Fair Allocation Amount and Financing Plan"* below. However, upon such acceleration, all accelerated Senior Notes will be repaid in full before any further payments of principal are made to holders of subordinated indebtedness, including the subordinated debt held by OPG; therefore, collections of the Clean Energy Adjustment that would otherwise have been available to repay the principal amount of subordinated indebtedness in the absence of acceleration of the Senior Notes will instead be applied to repay accelerated Senior Notes. See *"— Subordinated Debt"* below.[15]

Statutory Duties of the OEB:

The OEB is an independent public regulatory agency established under the *Ontario Energy Board Act, 1998*. The *Ontario Energy Board Act, 1998* provides the OEB with the authority to regulate participants (e.g. OEB licensees) in Ontario's [electricity market][16], including the activities of transmitters and distributors as well as the IESO (all Electricity Vendors for the purposes of the FHPA).

Under the Regulations, the OEB is responsible for determining the rates at which Specified Consumers are to be invoiced to recover the Clean Energy Adjustment. The rates are expressed as a cent per kWh rate and are determined by the OEB by dividing (i) the aggregate Clean Energy Adjustment as determined by the Financial Services Manager in respect of the relevant period of time by (ii) the forecast of electricity consumption of Specified Consumers in respect of such period, based on forecast information provided to the OEB by the IESO. See *"— Statutory and Servicing Duties of the IESO"* below.

Statutory Duties of Electricity Vendors:

Electricity is distributed to almost all Specified Consumers in Ontario through a network of local distributors. See *"Electricity Industry in Ontario"* and the Investor Presentation attached as Exhibit 1 to this

[15] **Note:** Add detailed ~~description~~descriptions to correspond to ~~this summary~~the limitation on cashflows during acceleration in the applicable detailed ~~portion~~portions of the OM and specifically address in Risk Factors.

[16] **Note:** Technically, the IESO administers (supervises) the IESO-administered markets. There is no definition for "electricity market".

confidential shelf offering memorandum for more details regarding the Ontario electricity market and these local distributors.

The FHPA and the Regulations require Electricity Vendors to invoice their Specified Consumers for a charge in respect of the Clean Energy Adjustment, as determined by applying the rate set by the OEB, which is required to be included as a separate line item on each invoice sent to Specified Consumers. Electricity Vendors are also required to collect, as agent of [the Issuer][17], amounts in respect of the Clean Energy Adjustment, deposit such amounts into a segregated account established for the purpose of receiving those amounts, and hold such amounts in trust for the benefit of [the Issuer][18] until remitted to the IESO for the benefit of [the owners of Investment Interests (initially, only the Issuer)].[19] If an Electricity Vendor does not receive payment in full of an invoice issued to a Specified Consumer, the Electricity Vendor shall allocate any payment received on a *pro rata* basis to the Clean Energy Adjustment and the other amounts payable under the particular invoice.[20] It is a deemed condition of their distribution license issued by the OEB that Electricity Vendors comply with the FHPA.[21]

As security for any failure of an Electricity Vendor that does not have an investment grade rating from DBRS and Moody's to remit Clean Energy Adjustment amounts collected under the FHPA, the IESO is required, pursuant to the Master Transfer and Servicing Agreement, to provide to the Issuer on or prior to the first day of the first billing period when the Clean Energy Adjustment is being invoiced to Specified Consumers, a letter of credit from a provider that satisfies the Rating Agency Condition or a performance guarantee or such other form of security that is acceptable to the Issuer and that satisfies the Rating Agency Condition. The amount of the security required from the IESO is based on a formula as set out in the Master Transfer and Servicing Agreement and will equal: (i) 50% of forecasted Clean Energy Adjustment amounts that are to be collected by such non-investment grade rated Electricity Vendors and held for 45 days prior to the funds being remitted to the Issuer; or (ii) such other amount that satisfies the Rating Agency Condition. See *"The Transferor and Servicer."*

Management Duties of OPG:

OPG has entered into a management agreement (the "**Management Agreement**") with the Issuer pursuant to which the Issuer has delegated to OPG, as manager (the "**Manager**"), all of the powers and duties of managing the Issuer, including determining whether to incur Funding Obligations (including Offerings of Senior Notes) to acquire an Investment Interest or refinance existing Funding Obligations; negotiating and executing, on behalf of the Issuer, all agreements; maintaining accounts and banking records; preparing any offering documents to be furnished by the Issuer to prospective purchasers of Funding Obligations (including the Senior Notes); and preparing financial statements and tax filings on behalf of the Issuer. See *"The*

[17] **Note:** This and similar references to the Issuer should instead refer to Financing Entities (Investment Interest owners), of which the Trust is the first, and then cross-refer to the concept of co-ownership in order to facilitate additional financings in the future.
[18] **Note:** Please see note 16.
[19] **Note:** Please see note 16.
[20] **Note:** Please consider revising this to conform more closely to Section 17(4) of the FHPA.
[21] **Note:** Please confirm.

Manager".

In addition to the powers and duties delegated to the Manager under the Management Agreement, OPG is also required to comply with its duties as Financial Services Manager under the FHPA and the Regulations, including preparing the Financing Plan to evaluate whether potential Funding Obligations should be incurred for the purposes of Financing Entities acquiring and financing an Investment Interest, determining the amount of the Clean Energy Adjustment inclusive of the calculation of any True-up Amount, notifying the OEB of the Clean Energy Adjustment inclusive of any True-up Amount and ensuring that Funding Obligations are incurred in a manner consistent with the Financing Plan. OPG may also administer the Investment Interest on behalf of the Issuer and any other Financing Entities. Subject to OEB approval and as provided for in the FHPA and the Regulations, OPG is entitled to charge the Issuer a fee, comprised of a base fee and a variable fee, to earn a return and to recover costs and expenditures incurred by OPG on behalf of the Issuer or in relation to the establishment, management and administration of the Issuer and its Investment Interest. The priority of the Manager's entitlement to fees is subject to the payment priorities set forth in the Master Trust Indenture. See *"The Manager"*.

Statutory and Servicing Duties of the IESO:

Following the Moratorium Period, the IESO is required, as agent of [the Issuer][22], to receive Clean Energy Adjustment amounts paid to it from Electricity Vendors, deposit such amounts promptly into a segregated account established for the purpose of receiving amounts in respect of the Clean Energy Adjustment, hold such amounts in trust on behalf of [the Issuer] and remit such amounts to [the Issuer] [on a monthly basis, subject to daily remittance being required in certain limited circumstances.][23] In addition, the IESO will provide certain reporting and other servicing duties in favour of the Issuer, including providing forecast information regarding electricity consumption of Specified Consumers and providing such forecast information to the OEB and the Issuer, making commercially reasonable efforts to cause Electricity Vendors to establish segregated accounts into which Clean Energy Adjustment amounts are deposited, remitting such amounts to [the Issuer] and fulfilling certain additional reporting requirements. [Generally, all servicing duties provided by the IESO to the Issuer are provided at no cost to the Issuer.][24] However, the Issuer will reimburse the IESO for certain direct costs relating to the performance by the IESO of its duties and obligations under the Master Transfer and Servicing Agreement that are otherwise not recovered or recoverable by the IESO under the *Electricity Act, 1998* (Ontario). See *"The Transferor and Servicer."*

Change of Law Protection Agreement:

Pursuant to the Change of Law Protection Agreement in favour of the Indenture Trustee, upon a Protection Event and delivery by the Indenture Trustee of a written payment demand, the Province of Ontario is required to make payments in respect of all "Approved Obligations" when due and payable into the Protection Account (which, provided that the Notes are Approved Obligations, includes

[22] **Note:** Please see note 16 regarding bracketed references to the "Issuer" in this paragraph..

[23] **Note:** Please consider disclosing which IESO duties are statutory and which arise under the MTSA. For instance, in this sentence, these time requirements arise from the MTSA. Section 9(2) of the General Regulation requires that the IESO remit within a reasonable period of time.

[24] **Note:** Please confirm.

payments of amounts that are due and payable in respect of Notes), although the amount of Province of Ontario's payment obligations in a particular period will differ depending on whether an Acceleration has occurred. See "*Change of Law Protection Agreement*". The Issuer and Indenture Trustee must ensure that amounts deposited into the Protection Account are applied to pay each Specified Creditor to whom an amount is due and payable under an Approved Obligation.

Generally, an "Approved Obligation" under the Change of Law Protection Agreement includes all obligations of the Issuer (except for amounts required to be deposited into any capital account or finance reserve account, or any obligation for the Issuer to pay itself any remaining amounts in the Collection Account pursuant to the Master Trust Indenture), including obligations of the Issuer under the Notes, subject to the satisfaction of certain adherence conditions for those obligations that constitute "Certified Primary Obligations", as defined in the Change of Law Protection Agreement. Subject to certain limited exceptions for refinancings, a "Certified Primary Obligation" includes all Notes, as well as certain other obligations of the Issuer under derivative agreements or under contracts with terms of greater than three years that are not terminable by the Issuer on less than three years' notice under which the Manager, acting reasonably, expects aggregate payments by the Issuer during the term of the contract in an amount in excess of $5,000,000.

Protection Event:

Each of the following constitutes a "**Protection Event**" for purposes of the Change of Law Protection Agreement:

(a)

(i) the Ontario legislature repeals, and does not replace on an equivalent basis, or amends, the FHPA or any portion thereof, as in effect on the date hereof;

(ii) the Ontario legislature enacts or amends any other statute;

(iii) the Lieutenant Governor in Council repeals, and does not replace on an equivalent basis, the regulations made under the FHPA or any portion thereof, as in effect on the date hereof;

(iv) the Lieutenant Governor in Council, a minister of the Crown, an official of the government or a board or commission all the members of which are appointed by the Lieutenant Governor in Council makes or amends any "regulation" (as defined in Part III of the *Legislation Act, 2006*) as in effect on the date hereof; or

(v) the implementation of a change in the organization or structure of the IESO or Ontario's electricity market undertaken at the initiative of the Province of Ontario or an entity controlled by the Province of Ontario,

in each case, that (X) adversely affects the ability of the Issuer to

receive amounts in respect of its Investment Interest so that it can pay Approved Obligations when due and payable, in each case determined after taking into account and having regard to (i) any funds available at such time to apply to such Approved Obligations, including in any finance reserve account, capital account or collateral posting account applicable under a derivative agreement, (ii) the availability of any credit enhancement agreement to which the Issuer is a party and (iii) any reasonably expected potential effect of a True-up Amount in the Reference Period immediately following the occurrence of an event described in any of clauses (i) to (v) above, or (Y) adversely affects the enforceability of, or adversely changes, the terms and conditions of the Change of Law Protection Agreement or of any of the agreements under which Approved Obligations arise; or

(b) a court of competent jurisdiction determines that all or a portion of the FHPA or the Regulations, as in effect on the date hereof, is *ultra vires* or invalid in a way that adversely affects the ability of the Issuer to receive amounts in respect of its Investment Interest so that it can pay Approved Obligations when due and payable and that has the effect of the Issuer not in fact having sufficient funds to pay such Approved Obligations that have become due and payable, in each case determined after taking into account and having regard to (i) any funds available at such time to apply to such Approved Obligations, including in any finance reserve account, capital account or collateral posting account applicable under a derivative agreement, (ii) the availability of any credit enhancement agreement to which the Issuer is a party and (iii) any reasonably expected potential effect of a True-up Amount in the Reference Period immediately following the occurrence of an event described in this paragraph (b).

The occurrence of a Protection Event in and of itself will not result in the acceleration of the Senior Notes.

The Province of Ontario's obligation to make payments under the Change of Law Protection Agreement upon a Protection Event and subsequent delivery of a written payment demand by the Indenture Trustee is referred to as the "**Limited Guarantee**".

Upon paying amounts when due and payable in respect of Approved Obligations, including the Senior Notes, into the Protection Account, the Province of Ontario will be subrogated and entitled to all of the rights and interests of applicable Specified Creditors (including Noteholders) under and in respect of the Approved Obligations to the extent of the amounts paid. The Province of Ontario will have the right to be paid from the Issuer the amounts that the Province of Ontario paid in respect of the Approved Obligations, such amounts being payable in the same order of priority and with the same entitlements accruing to the Province of Ontario as applied to the amounts in respect of the Approved Obligations previously owing to Specified Creditors that the Province of Ontario has paid. The Province of Ontario will also be entitled to the benefit of the Collateral and proceeds therefrom.

Under the Change of Law Protection Agreement, the right to deliver a written payment demand on occurrence of a Protection

Event to enforce the Limited Guarantee is the only remedy available to the Indenture Trustee (and to Specified Creditors, to the extent they are permitted to exercise any rights, interests or elections under and in accordance with the Master Trust Indenture). Specified Creditors are not permitted to exercise any rights, interests, or elections under the Change of Law Protection Agreement, other than in the manner and to the extent effected and exercised under, in accordance with and subject to the limitations set forth in the Master Trust Indenture as at December 21, 2017.

Approved Obligations & Adherence Conditions:

Under the Management Agreement, the Manager is required to ensure that all obligations of the Issuer are and remain Approved Obligations under the Change of Law Protection Agreement.

The Limited Guarantee shall apply to all Certified Primary Obligations that meet the following adherence conditions:

(a) the Certified Primary Obligation when incurred is an Obligation Secured under the Master Trust Indenture;

(b) OPG, as Financial Services Manager, delivers a certificate to the Indenture Trustee on or before the incurrence of such obligation certifying that it has complied with all of its obligations to the Province of Ontario and internal requirements and processes in connection with the adherence of the Limited Guarantee to the Certified Primary Obligation; and

(c) the Province of Ontario has not provided a Suspension Notice to the Indenture Trustee, OPG and the Issuer.

All Senior Notes shall constitute Obligations Secured under the Master Trust Indenture and therefore condition (a) above will be satisfied for all Offerings of Senior Notes. It will be a condition to any Offering of Senior Notes that OPG deliver the adherence certificate required pursuant to (b) above or that the Province of Ontario designates in writing that the Senior Notes are Approved Obligations. The Change of Law Protection Agreement provides that delivery of an adherence certificate shall be determinative of satisfaction of this adherence condition, notwithstanding that such certificate may include inaccuracies, be incomplete or otherwise be defective or deficient, and such certificate may be relied upon as conclusive evidence of same.

Suspension Notice & Post-Suspension Refinancing

The Change of Law Protection Agreement will remain in full force and effect until the indefeasible payment, observance and performance in full of the Approved Obligations.

However, in the following limited circumstances, the Province of Ontario may deliver a Suspension Notice under the Change of Law Protection Agreement: (i) if there has been an acceleration of Funding Obligations in accordance with the provisions of the Master Trust Indenture or an event of default, early amortization event, termination event or similar event or circumstance (including any event that with the passage of time or the giving of notice would become such an event) of or in respect of the obligations of any party under any

Program Agreement; (ii) if there has been an uncured breach of covenant, uncured default in performance, or uncured representation, warranty or certification that proves to be incorrect in any material respect on the date made, in each case of OPG (or its officers, in the case of a certification) to the Province of Ontario in connection with its obligations to the Province of Ontario pursuant to internal requirements and processes in connection with the provision or adherence of the Limited Guarantee to or in respect of any Certified Primary Obligations; or (iii) if the Financial Services Manager is no longer the Manager or actions have been taken by or on behalf of the Indenture Trustee to remove the Financial Services Manager as the Manager.

Upon delivery of a Suspension Notice, the Limited Guarantee shall not apply in respect of obligations incurred by the Issuer (excluding certain refinancings of Approved Obligations as described below) and certain material amendments of outstanding obligations of the Issuer.

Notwithstanding delivery of a Suspension Notice, the Limited Guarantee shall continue to apply to: (i) any Approved Obligations that were incurred prior to the suspension and (ii) any Funding Obligations incurred by the Issuer following a suspension that satisfy the terms and conditions of the Change of Law Protection Agreement, provided that the proceeds of such incurrence are to be used for the purpose of repaying one or more series of Approved Obligations. Accordingly, subject to compliance with the Change of Law Protection Agreement, any Senior Notes or other Funding Obligations that may be issued following a suspension to refinance Senior Notes that were Approved Obligations issued prior to a suspension will continue to have the benefit of the Limited Guarantee.

See *"Change of Law Protection Agreement"*.

Fair Allocation Amount & Financing Plan:

The Fair Allocation Amount is an amount calculated under the FHPA and the Regulations by the Minister of Energy in respect of each Reference Period that, among other things, allocates the estimated value of certain costs allocated to Specified Consumers in respect of the Ontario government's clean energy initiatives ("**Clean Energy Costs**")[25] in proportion to the relative attribution of the value of benefits determined to be derived by or accruing to Specified Consumers as a result of such clean energy initiatives ("**Clean Energy Benefits**") among Specified Consumers. See *"Ontario's Fair Hydro Plan"*.[26]

The Financial Services Manager is required to prepare a Financing Plan under the FHPA to evaluate whether potential Funding Obligations should be incurred by the Issuer or other Financing Entities for the purposes of acquiring an Investment Interest or for the purposes of a Refinancing. In preparing the Financing Plan, the Financial Services Manager must have regard to certain principles, including that Funding Obligations should be incurred such that, along with any Funding Obligations already incurred, the estimated Finance Amount that would, subject to any Refinancing, become due and

[25] **Note:** Consider that "Clean Energy Costs" is more thoroughly defined in the Glossary. Through the OM, reconsider instances where there are two different definitions.

[26] **Note:** The description of the fair allocation amount should more closely align to Section 20(1) of the FHPA.

payable during a Reference Period will reasonably align with the Fair Allocation Amount determined in respect of such Reference Period as of the date the Funding Obligations were incurred, after reducing the Fair Allocation Amount by the Readjustment Amount, if any, in respect of the Reference Period.

In other words, the Financing Plan should contemplate the issuance of Funding Obligations from time to time, with terms that would result in Clean Energy Adjustments being payable by Specified Consumers that align with the purposes of the FHPA [, namely, to ensure that present and future Specified Consumers are bearing their share of the costs of providing Clean Energy Benefits].[27] Notwithstanding the above, the FHPA provides that each Funding Obligation is deemed to be consistent with the Financing Plan and to provide for the reasonable alignment of the estimated Finance Amount with the Fair Allocation Amount.

Currently, the Clean Energy Costs have been determined to exceed the Clean Energy Benefits, with the result that the Fair Allocation Amount is negative. This [means that the Minister of Energy has determined that current Specified Consumers have borne more than their fair share of Clean Energy Costs (with the consequent rate reduction for current Specified Consumers). The Fair Allocation Amount is expected to be negative until at least May 2024.][28] Accordingly, the Financing Plan does not currently contemplate the issuance of any Senior Notes maturing prior to May 2024. The Financial Services Manager may, however, determine to refinance Senior Notes maturing after May 2024 through the issuance of another Series of Senior Notes. If Senior Notes cannot be refinanced on or before the applicable Principal Payment Default Date, holders of such Senior Notes will have the ability to accelerate their Senior Notes resulting in Clean Energy Adjustments that would otherwise be used to pay the principal amount on subordinated indebtedness to holders of subordinated Notes being used to pay holders of accelerated Senior Notes.

The Financing Plan allows for the issuance of a variety of short and long term debt. See the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum for more details regarding the Financing Plan and the Fair Allocation Amount.

Subordinated Debt:

Concurrent with every issuance of senior debt by the Issuer, including any Offering of Senior Notes, it is expected that OPG will subscribe for subordinated debt and junior subordinated debt of the Issuer in an amount equal to no more than 49% of all of the Issuer's Funding Obligations, approximately 44% of which is expected to be funded through equity investments in OPG by the Province of Ontario with the remaining 5% being funded from OPG's available funds, including all or a portion of the proceeds of any offerings by OPG of medium term notes.

Under the Master Trust Indenture, the Issuer will be required at all times to ensure that: (i) the aggregate outstanding principal amount of all subordinated debt and junior subordinated debt be not less than

[27] **Note:** The description should more closely align with the stated purposes of the FHPA in Section 3 of the Act.
[28] **Note:** MOE to confirm whether including this sort of prediction is appropriate.

	35% of the aggregate outstanding principal amount of all of the Issuer's Funding Obligations; and (ii) the aggregate outstanding principal amount of all junior subordinated debt be not less than 10% of the aggregate outstanding principal amount of all of the Issuer's Funding Obligations.
Use of Proceeds:	The proceeds from each Offering may be used to (i) acquire an Investment Interest from the IESO pursuant to the Master Transfer and Servicing Agreement, (ii) refinance indebtedness of the Issuer (including other Series of Senior Notes), (iii) pay Offering and related costs of the Issuer and (iv) fund specific reserve accounts as required. The Term Sheet for each Offering of Senior Notes will identify the amount of proceeds that will be used for such specified purposes.
Interest Rate:	Fixed, floating or otherwise, as determined by the Issuer and as set out in the Term Sheet applicable to such Offering.
Interest Payment Dates:	As determined from time to time by the Issuer and as set out in the Term Sheet applicable to such Offering.
Principal Accumulation Date(s) and Principal Accumulation Amount(s):	As determined from time to time by the Issuer and as set out in the Term Sheet applicable to such Offering.
Principal Payment Date(s) and Principal Payment Amount(s):	As determined from time to time by the Issuer and as set out in the Term Sheet applicable to such Offering.
Principal Payment Default Date:	As determined from time to time by the Issuer and as set out in the Term Sheet applicable to such Offering.
Ranking:	Subject to the applicable payment waterfalls set out in the Master Trust Indenture, the Senior Notes will be direct, secured and unsubordinated obligations of the Issuer, and will at all times rank equally and proportionately with each other and all other senior indebtedness issued by the Issuer from time to time pursuant to the Indenture, without discrimination or preference. See "*Capital Markets Platform — Subordination Provisions*", "*Capital Markets Platform — Acceleration and Remedies — Payment Waterfall Upon Acceleration*".
Security:	All indebtedness and other obligations of the Issuer, including the Senior Notes, will be secured by a first ranking charge against all property and assets of the Issuer, including each Issuer Account (and all funds and property credited thereto), all rights and benefits, and powers of the Issuer under the FHPA and all rights, benefits and power under all Program Agreements, including under the Limited Guarantee. Under the Master Trust Indenture, the Issuer is required to maintain certain reserves: the IESO Cash Reserve Deposit Amount (an amount equal to the aggregate of (i) 0.50% of the aggregate amount of all outstanding senior, subordinated and junior subordinated funding obligations determined as of April 15, 2021, and (ii) an amount estimated as the amount of Carrying Costs payable during May, June and July 2021, provided such amount in (ii) satisfies the Rating

Agency Condition) will be deposited by the IESO by April 30, 2021. There is also a Program Cash Reserve Account which will begin to be funded from Clean Energy Adjustments following the Moratorium Period until it reaches the Program Cash Reserve Required Amount (on each Payment Date on and after May 15, 2021, an amount equal to 0.50% of the aggregate amount of all outstanding senior, subordinated and junior subordinated funding obligations determined as of such date, or such lesser amount that satisfies the Rating Agency Condition). Funds in the IESO Cash Reserve Account will be applied to pay Carrying Costs after April 2021 to the extent that funds can be so applied such that the aggregate amount of funds in the IESO Cash Reserve Account and Program Cash Reserve Account is maintained at the Program Cash Reserve Required Amount.

In connection with the incurrence of any Series of Notes, the Issuer may (i) establish a Series Account for purposes of accumulating funds used to make principal payments or for purposes of reserving funds to pay finance charges, and/or (ii) enter into a credit enhancement agreement or liquidity agreement. Whether a Series of Senior Notes has the benefit of a Series Account or any credit enhancement agreement or liquidity agreement will be determined from time to time by the Issuer and set out in the Term Sheet applicable to such Offering.

See "*Capital Markets Platform — Security*".

Priority of Payments:

Prior to an Event of Default and acceleration of the Issuer Funding Obligations (other than Derivative Funding Obligations), amounts available for disbursement will generally be applied in the following order of priority:

- taxes;
- trustee fees, expenses and reimbursement amounts (up to a specified cap);
- payment of or accumulations in respect of interest for senior obligations, *pari passu* with payments under derivative agreements (other than termination payments);
- payment of or accumulations in respect of interest for subordinated obligations;
- payments of or accumulations in respect of interest for junior subordinated obligations;
- payment of or accumulations in respect of principal for warehouse obligations (see *"Warehouse Facilities"*);
- accumulations in respect of principal for senior obligations (other than warehouse obligations), *pari passu* with termination payments under derivative agreements (other than as provided below);
- fees and other amounts (other than principal and interest) on senior obligations;
- the Manager's fees, expenses and reimbursement amounts;
- payment of or accumulations in respect of principal for subordinated obligations;
- fees and other amounts (other than principal and interest) on subordinated obligations;
- payment of or accumulations in respect of principal for junior subordinated obligations;

- replenishment of Program Cash Reserve Account;
- replenishment of Series Accounts (other than accounts established for subordinated obligations or junior subordinated obligations);
- replenishment of Series Accounts established for subordinated obligations;
- fees and other amounts (other than principal and interest) on junior subordinated obligations;
- replenishment of Series Accounts established for junior subordinated obligations;
- termination payments under derivative agreements where the counterparty is the defaulting party or sole affected party;
- beneficiaries of the Issuer;
- indemnity amounts owing to the Manager; and
- all other obligations not specifically dealt with above.

After an Event of Default and acceleration of the Issuer Funding Obligations (other than Derivative Funding Obligations), amounts available to the Issuer or otherwise held by the Indenture Trustee will generally be applied in the following order of priority:

- taxes;
- trustee fees, expenses and reimbursement amounts;
- interest, fees and other amounts (other than principal) on senior obligations and payments under derivative agreements (other than termination payments), *pari passu*, then subordinated obligations (other than principal) and then junior subordinated obligations (other than principal);
- principal for warehouse obligations;
- *pari passu*, principal on senior obligations (other than warehouse obligations) and termination payments under derivative agreements (other than where the counterparty is the defaulting party or sole affected party);
- the Manager's fees, expenses and reimbursement amounts;
- principal for subordinated obligations and then junior subordinated obligations; and
- all other obligations not specifically dealt with above.

Notwithstanding the above, amounts held in a Series Account will be applied in accordance with the relevant Funding Obligation Agreement and amounts held in the Protection Account will be applied in accordance with the specific written payment statement and would not otherwise modify the provisions of the applicable payment waterfalls set out in the Master Trust Indenture.

See "*Capital Markets Platform — Payment Waterfall Prior to Acceleration*" and "*Capital Markets Platform — Acceleration and Remedies — Payment Waterfall Upon Acceleration*".

Currency: Senior Notes may be denominated in any currency. The currency for a particular Series of Senior Notes will be set out in the Term Sheet applicable to such Offering.

Minimum Subscription: Minimum principal amount of 100,000 units of the applicable currency and integral multiple of 1,000 of the applicable currency. The

	minimum subscription and denomination of the Senior Notes may be varied as set out in the Term Sheet applicable to such Offering.
Optional Redemption:	Senior Notes may be subject to redemption prior to maturity at the times and redemption price set out in the Term Sheet applicable to such Offering.
Purchase for Cancellation:	The Issuer may, at any time, purchase at any price all or any of the Senior Notes in the market or by invitation for tenders or by private contract. Any Senior Notes so purchased shall be cancelled.
Distribution Method:	The Senior Notes may be offered and sold by the Issuer on a private placement basis in Canada to "accredited investors" (as such term is defined in NI 45-106 and, in the case of a purchaser resident in Ontario, section 73.3(1) of the *Securities Act* (Ontario)) who purchase the Senior Notes as principal and that are not individuals unless those individuals are also "permitted clients" (as such term is defined in NI 31-103). By purchasing Senior Notes and accepting a purchase confirmation in respect thereof, a purchaser will be agreeing with and representing to the Issuer and any Agent participating in the trade that the purchaser is an accredited investor purchasing as principal along with certain other matters. See *"Representations and Agreements of Purchasers"*.
Book-Entry Form:	The Senior Notes will be delivered and recorded in book-entry form only through CDS or another depository selected by the Issuer in accordance with the Master Trust Indenture. Each Series of Senior Notes will be evidenced by a global note held by such depository, registered in its name or the name of its nominee, on behalf of all holders of such Series of Senior Notes. Subject to limited exceptions, no purchasers of Senior Notes will be entitled to a certificate or other instrument from the Issuer or CDS evidencing that purchaser's ownership thereof, and no holder of a Senior Note will be shown on the records maintained by CDS except through book-entry accounts of a participant of CDS acting on behalf of owners. See *"Depository Services"*.
Resale Restrictions:	Resale of the Senior Notes will be subject to restrictions under applicable securities legislation which vary depending on the relevant jurisdictions. **The Senior Notes may only be sold on a basis that is in accordance with, or pursuant to an exemption from, the prospectus requirements of applicable provincial securities laws and only through an appropriately registered dealer or pursuant to an exemption from the dealer registration requirements of applicable provincial securities laws.** See *"Restrictions on Resale"*.
Risk Factors:	The purchase of the Senior Notes is subject to risks. Prospective investors should carefully consider the risk factors and other information in this confidential shelf offering memorandum and the Term Sheet for each Offering before purchasing Senior Notes, including the discussion set forth under *"Risk Factors"*, and any additional disclosure set out in the Term Sheet for each Offering.

Indenture Trustee:	BNY Trust Company of Canada.
Issuer Trustee:	Computershare Trust Company of Canada.

THE ELECTRICITY INDUSTRY IN ONTARIO

General Overview

The Ontario electricity industry is principally comprised of three components:

- *Generation*: the production of electricity from various forms of energy, such as wind, solar, hydropower, natural gas and nuclear;
- *Transmission*: the transfer of electricity across high-voltage power lines from generating facilities to local areas; and
- *Distribution*: the delivery of electricity within local areas to homes and businesses using lower voltage power lines.

The structure of Ontario's electricity industry underwent significant changes in the late 1990s and early 2000s. Prior to April 1, 1999, Ontario Hydro, a Crown corporation, supplied most of Ontario's electricity generation and transmission needs. Consistent with initiatives taken in other electricity markets in North America at the time, the electricity industry was restructured in order to encourage greater competition. Ontario's competitive electricity market was opened by the IESO on May 1, 2002 and the market is used to administer the purchase and sale of wholesale electricity in Ontario.

Since the opening of the competitive market, Ontario's power supply mix has experienced significant change. As a result of provincial government policy, coal-fired generation has been eliminated and a significant amount of new capacity has been added as a result of new natural gas powered capacity, new wind and solar capacity and additional baseload nuclear generation capacity. These changes have resulted in significantly increased costs of electricity to consumers in Ontario.

While electricity supply in Ontario has increased, the province's electricity demand as reported by the IESO has fallen over the last decade, largely due to changes in economic conditions and conservation measures. Moreover, the addition of small scale solar generation embedded in the distribution system has reduced the level of demand that is supplied by transmission-connected generation. Reducing electricity demand by encouraging conservation and demand management has been a key part of the Government of Ontario's plan to reduce greenhouse gas emissions from the province's electricity sector. Shorter-term fluctuations in electricity demand are impacted by variations in seasonal weather conditions.

Real-time energy supply needs are met through the wholesale electricity market administered by the IESO. Generators offer their generation into this real-time energy market, or "spot market", to be dispatched by the IESO. The IESO receives hourly offers from electricity generators and importers to provide energy, along with bids to withdraw energy from a few flexible loads and exporters, and then schedules the lowest-cost offers and bids needed to meet demand. Virtually all generators in Ontario also have bilateral contracts with the IESO or receive regulated prices, or payment amounts, that provide for payments in addition to the market price of electricity that is paid to generators.

Key Industry Participants

Ontario Power Generation Inc.

OPG is a corporation formed under the *Business Corporation Act* (Ontario), whose sole shareholder is the Province of Ontario. In 1999, when Ontario Hydro was split up in anticipation of deregulation, OPG was formed to hold all of the generation assets. OPG has divested itself of certain of those assets, but remains the largest generator in Ontario.

OPG is Ontario's largest clean energy generator. As at the date hereof, OPG operated two nuclear generating stations, 66 hydroelectric generating stations, three thermal generating stations, and one wind power turbine. OPG's mission is to provide low cost power in a safe, clean, reliable and sustainable manner for the benefit

of its customers and its sole shareholder, the Province of Ontario. OPG's electricity generation accounts for almost half of the total energy generated and injected into Ontario's electricity transmission system, as reported by the IESO. OPG is one of the most experienced and largest generating companies in Canada with a broad set of relationships and capabilities. OPG is also experienced in successful complex financing arrangements of large capital projects, including the recently completed Lower Mattagami project.

Additional information about OPG is provided in the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum and is available at www.opg.com.

The IESO

The IESO is a non-share capital corporation created under the *Electricity Act, 1998* (Ontario). It was created as an amalgamation of two predecessor entities, one of which was also called the IESO ("**Predecessor IESO**") and the other of which was called the Ontario Power Authority ("**OPA**"). Predecessor IESO was responsible for operating the real-time electricity markets in Ontario, as well as administering the market rules. The OPA was the counterparty that entered into bilateral power or capacity purchase contracts with generators. These two entities were merged statutorily on January 1, 2015 into the IESO, which now carries out all of these functions. As a non-share capital corporation, the IESO does not have any shareholders or owners, but it is governed by an independent Board of Directors whose chair and directors are appointed by the Minister of Energy.

Additional information about the IESO is provided in the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum and is available at www.ieso.ca.

The Ontario Energy Board

The OEB is a non-share capital corporation created under the *Ontario Energy Board Act, 1998*. The OEB is an independent and impartial public regulatory agency. The *Ontario Energy Board Act, 1998* provides the OEB with the authority to license and regulate the participants in Ontario's electricity market, including the activities of the IESO, transmitters and distributors which are also Electricity Vendors for the purposes of the FHPA.

The OEB has the following objectives in relation to the electricity industry:

(a) to protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service;

(b) to promote the education of consumers;

(c) to promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry;

(d) to promote electricity conservation and demand management in a manner consistent with the policies of the Province of Ontario, including having regard to the consumer's economic circumstances;

(e) to facilitate the implementation of a smart grid in Ontario; and

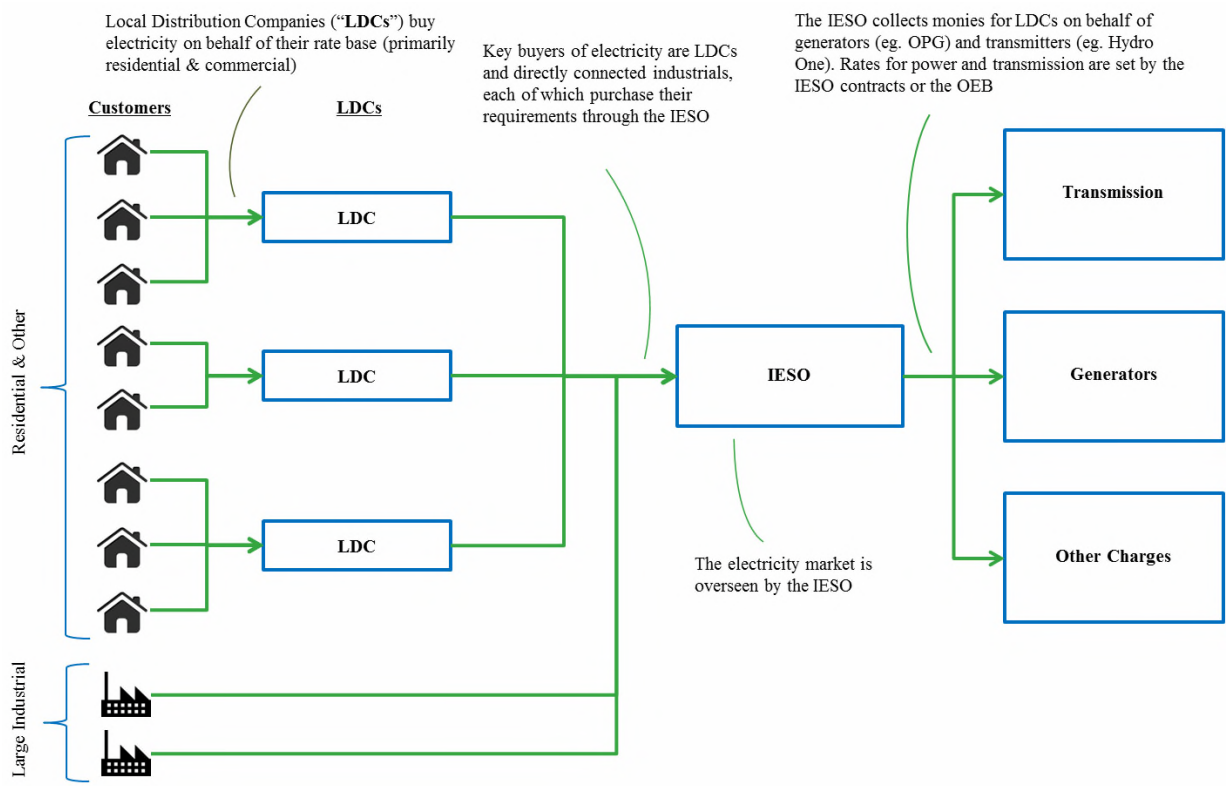
(f) to promote the use and generation of electricity from renewable energy sources in a manner consistent with the policies of the Ontario government, including the timely expansion or reinforcement of transmission systems and distribution systems to accommodate the connection of renewable energy generation facilities.

The OEB is responsible for, among other things, approving transmission and distribution rates in Ontario, as well as payment amounts for OPG's nuclear and hydroelectric generation. It also approves the construction, expansion, or reinforcement of transmission lines greater than two kilometres in length, as well as mergers,

acquisitions, amalgamations and divestitures involving distributors, transmitters and other entities which it licenses. The activities of transmitters and distributors are subject to the conditions of their transmission and distribution licenses, as applicable, which require compliance with a number of industry codes issued by the OEB, as well as with the market rules that are administered by the IESO. These codes and other requirements prescribe minimum standards of conduct and service for licensed participants in the electricity market.

Electricity Vendors

As part of the restructuring of Ontario's electricity industry, the province's municipally-owned electricity distributors were reorganized into separate business corporations. These distributors are typically referred to in Ontario as local distribution companies, or "**LDCs**". An LDC is responsible for distributing electricity to customers in its OEB-licensed service territory, and in some cases to other distributors. A service territory may cover large portions or all of a particular municipality, or an otherwise-defined geographic area. Distribution customers include residential, commercial and industrial end-users, such as governments, schools and hospitals. At multi-unit buildings within an LDC's service territory, there may be a unit sub-metering service provider that provides metering services for each individual unit. These sub-metering service providers are also licensed by the OEB. The following diagram depicts a simplified flow of funds between the key industry participants:[29]



See the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum for more details regarding LDCs.

Electricity Prices

There are two components that make up the commodity cost of electricity in Ontario, the Hourly Ontario Energy Price ("**HOEP**") and the Global Adjustment charge.

[29] **Note:** Proposed revisions to the text in the chart: (i) "The electricity market is ~~overseen~~ administered by the IESO"; (ii) "~~Rates for power and transmission are set by the IESO contracts or the OEB~~ Prices paid to generators are determined by IESO contracts or approved by the OEB. Transmission rates are approved by the OEB."

- The HOEP is set by the IESO based on bids and offers in the real-time energy market that is administered by the IESO.

- The global adjustment charge is paid by all consumers. It is established monthly by the IESO in accordance with regulations and is used to collect funds used by the IESO to pay certain "out of market" costs that are not compensated by the HOEP, including the cost of energy supply contracts with generators and payments made to certain generators, including OPG, that are entitled to a regulated rate of return based on OEB-established payment amounts. For all Specified Consumers[30] the global adjustment charge is based on electricity usage on a per unit basis.

Prior to the FHPA being passed, the amount collected by the IESO on account of the HOEP and global adjustment charge was approximately equal to the IESO's liabilities in this regard, subject to certain periodic true-ups and adjustments to keep the IESO whole.

At the request of the Minister of Energy in 2004, and in accordance with amendments to legislation, the OEB created the "**Regulated Price Plan**" or "**RPP**", which establishes time-of-use and tiered commodity prices for residential, farm and small commercial customers. Prior to the introduction of the FHPA, the RPP prices were reviewed and changed every six months based on an updated forecast and any accumulated differences between the amounts collected from RPP consumers and the amount paid to generators in previous periods. RPP prices are now established in accordance with the FHPA. Most Specified Consumers are billed for electricity based on the Regulated Price Plan, although some Specified Consumers may be invoiced the HOEP and the global adjustment charge by their LDC for electricity they have consumed. The IESO has also stated that there is one Specified Consumer connected directly to the transmission system and settled by the IESO, not an LDC.

While most residential and small commercial consumers in Ontario choose to purchase their electricity under the RPP, consumers in Ontario may instead choose to buy their electricity from a licensed retailer pursuant to a retail contract that provides a fixed rate for electricity over a specified period. These customers are also required to pay the global adjustment charge in addition to the rate under their retail contract.

In addition to the HOEP and global adjustment charges, or RPP prices, as the case may be, electricity consumers pay a number of other uplifts and charges, such as transmission and distribution tariffs.

ONTARIO'S FAIR HYDRO PLAN

Background

On June 1, 2017, the Ontario Legislature passed the *Ontario Fair Hydro Plan Act, 2017*[31] (the "**FHPA**")[, legislation that reallocates certain electricity costs over time and provides immediate rate relief to consumers][32]. From July 1, 2017 until April 30, 2018, electricity rates payable by Specified Consumers (a category of consumers that generally is comprised of residential consumers, small businesses and farms) will be the rates that result in a representative consumer being charged an invoice amount that is 25%[33] less than the rate that would otherwise have been determined by the OEB for that period (the "**Fair Adjustment**") absent Ontario's Fair Hydro Plan.

Under the FHPA, a "**Specified Consumer**" is:

(a) a person who has an account with an Electricity Vendor for the supply of electricity in the Province of Ontario and meets any one of the following criteria:

(i) the person has a demand for electricity of 50 kilowatts or less, or such other amount as may be prescribed by the Regulations;

[30] **Note:** Some consumers below 500 kw are not Specified Consumers.
[31] **Note:** The FHPA was Schedule 1 to omnibus legislation entitled the *Fair Hydro Act, 2017*. Further, already defined as the FHPA above.
[32] **Note:** This narrative should be removed, or if necessary, the description of the FHPA should track the purposes of the Act as set out in Section 3 to the Act.
[33] The 25% reduction includes an 8% rebate equivalent to the provincial portion of the harmonized sales tax previously granted by the Ontario government and the shifting of certain support program costs from the rate base to the tax base.

(ii) the person annually uses not more than 250,000 kilowatt hours of electricity, or such other amount as may be prescribed by the Regulations;

(iii) the person carries on a business that is a farming business for the purposes of the *Farm Registration and Farm Organizations Funding Act, 1993* and either holds a valid registration number assigned under that Act or has had the obligation to file a farming business registration form waived pursuant to an order made under subsection 22(6) of that Act;

(iv) the person's account with the Electricity Vendor relates to

(A) a dwelling;

(B) a property within the meaning of the *Condominium Act, 1998*;

(C) a residential complex within the meaning of subsection 2(1) of the *Residential Tenancies Act, 2006*, without regard to section 5 of that Act; or

(D) a property that includes one or more housing units and that is owned or leased by a co-operative within the meaning of the *Co-operative Corporations Act*; or

(v) the person satisfies such criteria as may be prescribed by the Regulations; or

(b) such other person as may be prescribed by the Regulations.

Electricity bills for Specified Consumers for the period between May 1, 2018 and April 30, 2019 are to increase by the rate of inflation (or remain unchanged in the event inflation is negative). Permitted increases after April 30, 2019 will be determined by the Ontario government through additional regulations, though the Ontario government has indicated its intention that rate increases will be held to the rate of inflation until 2021.

Under the FHPA, OPG is appointed as the initial Financial Services Manager and given the authority to, among other things, establish, or cause to be established, one or more financing entities (each, a "**Financing Entity**") to incur payment obligations (such obligations, "**Funding Obligations**") to fund the acquisition of an Investment Interest. The Issuer is a Financing Entity under the FHPA and the Senior Notes are Funding Obligations under the FHPA.

Regulatory Asset

Under the FHPA, each month the IESO determines the shortfall that results from the Fair Adjustment as compared to what the IESO would have been entitled to receive without the Fair Adjustment and records this amount, together with the costs of financing the shortfall, in a variance account.[34] The IESO has the right, exercisable in accordance with the FHPA and the Regulations, to recover the balance recorded in the variance account from Specified Consumers (such right, the "**Regulatory Asset**"). However, in accordance with the FHPA, the IESO is not entitled to collect all or part of the balance recorded in the variance account (which is the basis of the Regulatory Asset) from specified consumers before May 1, 2021. The IESO may, in accordance with the FHPA, transfer a specified portion of the Regulatory Asset to a Financing Entity for a cash purchase price equal to the amount recorded in the variance account in respect of such specified portion of the Regulatory Asset. Upon receipt by the IESO of payment by the Financing Entity, the IESO retains no further right, title or interest in the corresponding Investment Interest.

[34] **Note:** Please consider disclosure of further details as to what is recorded in the variance account. For instance, paragraph 3 of Section 15 in the General Regulation states that amounts incurred by the IESO on or after May 1, 2017 but before the FHPA came into force may be recorded in the IESO deferral.

Investment Interest

By acquiring an Investment Interest, the Financing Entity is financing a portion of the shortfall that results from the Fair Adjustment and, as an owner of the Investment Interest, will be entitled to recover its "Finance Amount" (the costs of such financing). While a Financing Entity may choose to acquire an Investment Interest from the IESO, it is under no obligation to do so.

If the IESO and a Financing Entity agree to the transfer of a specified portion of the Regulatory Asset from the IESO, such transfer results in the creation of a current and irrevocable property right that is immediately vested in the Financing Entity, free and clear of any adverse claim (such right, the "**Investment Asset**", and an ownership interest therein, an "**Investment Interest**"). The Investment Asset consists, collectively, of the following rights and interests of Investment Interest owners (among other things):[35]

(a) the right and interest to impose, invoice, collect, receive and recover the Clean Energy Adjustment from Specified Consumers, including the right to determine the Clean Energy Adjustment in accordance with the FHPA;

(b) the right to receive, collect and recover the Clean Energy Adjustment that is imposed, invoiced and recoverable under the FHPA, including any amounts in respect of the Clean Energy Adjustment that are held by Electricity Vendors or the IESO;

(c) the right to enforce the duties and obligations under the FHPA of each Electricity Vendor to impose, attribute, charge and invoice for the Clean Energy Adjustment;

(d) the right to enforce the duties and obligations under the FHPA of each Electricity Vendor and the IESO to collect, receive and remit amounts received by it in respect of the Clean Energy Adjustment, including all collections and the proceeds of any enforcement action undertaken by any Electricity Vendor to recover payment of the Clean Energy Adjustment;

(e) all rights of any kind related to any of the other property rights or interests that comprise the Investment Interest, including any rights to receive a payment obligation incurred by the IESO as part of the transfer of the Regulatory Asset (such payment obligations incurred by the IESO being "**Funding Rebates**"); and

(f) all revenue, collections, claims, payments, money and proceeds of or derived from the rights described in paragraphs (a) to (e), regardless of whether it is invoiced, collected and maintained together with or commingled with other revenue, collections, claims, payments, money and proceeds.

Clean Energy Adjustment

The "**Clean Energy Adjustment**" is the amount calculated in accordance with the FHPA and payable by Specified Consumers [to cover the cost of financing the shortfall that results from the Fair Adjustment].[36] The Financial Services Manager will determine the amount of the Clean Energy Adjustment payable by Specified Consumers for each month of a Reference Period. The Clean Energy Adjustment is based on an estimate of the amount payable by a Financing Entity in a Reference Period in respect of the Finance Amount and the True-up Amount (each as described below).

The "**Finance Amount**" in respect of the Issuer for a period of time is an amount determined by the Financial Services Manager as follows:

[35] **Note:** Please consider disclosing in this section that the Investment Asset is a collective right of the Investment Interest owners. While this is explained in a risk factor ("The Issuer may have a co-ownership interest in the Investment Asset with other Financing Entities), additional expl anation/ disclosure may be warranted here.

[36] **Note:** Consider that the statutory definition of "Clean Energy Adjustment" states that it is "the amount determined under section 15 [of the FH PA] and payable by specified consumers". The FHPA does not expressly state the purpose of the Clean Energy Adjustment.

(a) after eliminating any duplication in the following amounts, calculating the sum of the following amounts:

(i) amounts paid or payable during the period in respect of the payment by or on behalf of the Issuer or the provision by or on behalf of the Issuer for the payment of all or a portion of the principal amount advanced to the Issuer under a Funding Obligation;

(ii) interest, commitment fees or other similar costs payable by or on behalf of the Issuer in respect of Funding Obligations that are paid or payable during the period;

(iii) amounts payable by or on behalf of the Issuer to redeem, prepay or repurchase Funding Obligations incurred by or on behalf of the Issuer, including any premium, make-whole or other amount payable to give effect to the prepayment, redemption or repurchase, that are paid or payable during the period;

(iv) payments required to be made in respect of any derivative agreements during the period, including ordinary course payments, payments on termination and payments made in connection with margining or collateral arrangements;

(v) amounts deposited, as required under the governing documents of Funding Obligations, into capital accounts or finance reserve accounts during the Reference Period;

(vi) Issuer expenses, including fees (including fees charged by the Financial Services Manager), charges, costs, indemnities, reimbursements and other amounts incurred or committed to by or on behalf of the Issuer as a result of an activity authorized or permitted under the FHPA, and any taxes on such amounts, in each case that are paid or payable during the period;

(vii) taxes paid or payable by or on behalf of the Issuer, incurred directly or indirectly by the Issuer, or for which the Issuer is otherwise liable as a result of any activity, undertaking, transaction or event authorized or permitted under the FHPA that payable during the period; and

(viii) amounts paid or payable by or on behalf of the Issuer during the period to any guarantor or surety that made a payment of an amount due and payable under a funding obligation, including pursuant to a guarantee, indemnity, contract of insurance or agreement entered into under subsection 5(2) or (3) of the FHPA;

(b) after eliminating any duplication in the following amounts, calculating the sum of the following amounts:

(i) amounts withdrawn, as required under the governing documents of Funding Obligations, from capital accounts or finance reserve accounts during the period;

(ii) for any period before May 1, 2021, amounts received during the period in respect of Carrying Costs and Funding Rebates and for any period on and after May 1, 2021, amounts received during the period in respect of Funding Rebates;

(iii) the aggregate of all amounts received by or on behalf of the Issuer in respect of Funding Obligations during the period;

(iv) the principal amount of Funding Obligations incurred by the Issuer that are applied to refinance existing Funding Obligation during the period;

(v) any payments received in connection with a derivative agreement, including ordinary course receipts, payments received on termination and payments received in connection with margining or collateral arrangements, in each case during the period;

(vi) amounts received by or on behalf of the Issuer as a refund of tax and to which the Issuer is entitled as a result of any activity, undertaking, transaction or event authorized or permitted under the FHPA during the period; and

(c) subtracting the sum calculated under (b) from the sum calculated under (a).

In determining the Clean Energy Adjustment, the Financial Services Manager must also calculate a "**True-up Amount**" in accordance with the Regulations. In principle, the True-up Amount should serve to ensure that the collection of the Clean Energy Adjustments is sufficient to pay the Finance Amount when it is due, by capturing any Finance Amounts not previously received in respect of the Clean Energy Adjustment during the preceding Reference Periods. The True-up Amount may also reflect historical and reasonably foreseeable differences between the estimated and actual Finance Amount; between amounts invoiced and amounts collected due to various factors, including applicable taxes, consumer defaults and delays, billing lags and write-offs; and variations in billings due to variations in electricity consumption. In determining such differences, the Financial Services Manager is required to have regard to amounts payable that were not collected and any amounts in respect of which an overpayment was made, which may include amounts resulting from a default of Specified Consumers, an Electricity Vendor or the IESO, whether in its capacity as an Electricity Vendor or its activities as agent or otherwise under the FHPA and the Regulations. The Regulations obligate the Financial Services Manager to calculate the True-up Amount in respect of each Reference Period so long as all Funding Obligations and other Finance Amounts have not been paid in full. The Financial Services Manager may also at any time during a Reference Period determine an interim True-up Amount if, among other things, it reasonably forecasts that the collection of the Clean Energy Adjustment will be insufficient to pay the estimated Finance Amount for a Reference Period.

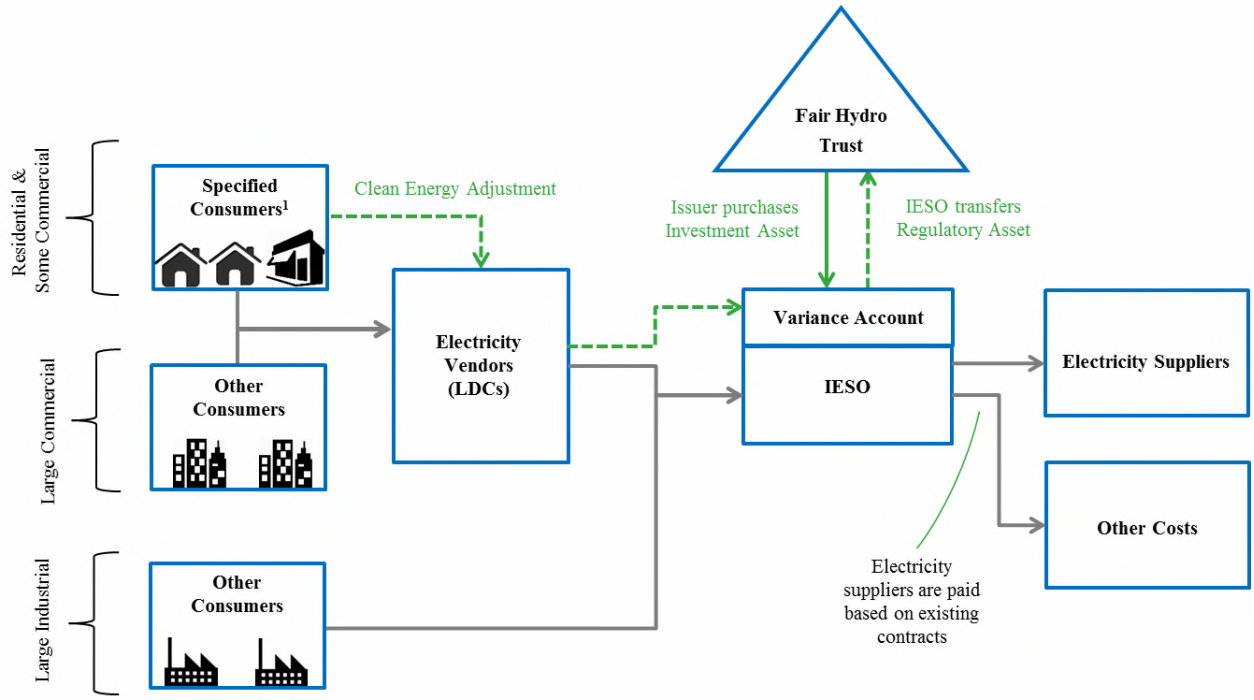
The Financial Services Manager must notify the OEB of the Clean Energy Adjustment for each Reference Period. The OEB must accept this amount and will determine the rates at which Specified Consumers are to be invoiced to recover the Clean Energy Adjustment. The rates are expressed as a cent per kWh amount and are determined by the OEB by dividing (i) the Clean Energy Adjustment provided by the Financial Services Manager in respect of the relevant period of time by (ii) the forecast of electricity consumption of Specified Creditors in respect of such period, based on forecast information provided to the OEB by the IESO. Electricity Vendors are required to invoice their Specified Consumers for the Clean Energy Adjustment, as determined by applying the rate set by the OEB, which is required to be included as a separate line item on each invoice. Electricity Vendors are required to collect, as agent of the [Issuer],[37] amounts in respect of the Clean Energy Adjustment, deposit such amounts into a segregated account established for the purpose of receiving those amounts, and hold such amounts in trust for the benefit of the [Issuer] until remitted to the IESO for the benefit of the [the owners of Investment Interests (initially, only the Issuer)]. If an Electricity Vendor does not receive payment in full of an invoice issued to a Specified Consumer, the Electricity Vendor shall allocate any payment received on a *pro rata* basis to the Clean Energy Adjustment and the other amounts payable under the particular invoice.[38] It is a deemed condition of their licenses that Electricity Vendors comply with their obligations under the FHPA.[39] If there are any amounts that are collected by the Electricity Vendor, but not remitted to the IESO to remit to [the Issuer] during a Reference Period, such shortfall will be included in the True-up Amount for the subsequent period.

An amount in respect of the Clean Energy Adjustment shown on an invoice issued to a Specified Consumer is determinative of the amount of such Specified Consumer's indebtedness resulting from the Clean Energy Adjustment and is irrevocable upon invoicing and may not be set off or bypassed, except to the extent that the invoice reflects a clerical, typographical or calculation-related error. [Commencing May 1, 2021, a charge in respect of the Clean Energy Adjustment will be included on invoices sent to Specified Consumers, and collected and remitted to the Issuer to pay amounts owing on the Senior Notes and all other administrative and other financing expenses of the Issuer. From July 1, 2017 until April 30, 2021 (the "**Moratorium Period**"), no Clean Energy

[37] **Note:** Please see note 16 regarding the placement of square brackets around "the Issuer" in this paragraph. The disclosure should indicate that amounts are collected for the Investment Interests owners (and that, as at the date of the OM, the Issuer is the only Investment Interest owner).
[38] **Note:** Please consider revising to conform more closely to Section 17(4) of the FHPA.
[39] **Note:** Please confirm.

Adjustments are permitted to be collected from Specified Consumers. During the Moratorium Period, the sole source of funds for payment on the Senior Notes, and the Issuer's other Carrying Costs, will be the amounts the IESO is obligated to pay under the Regulations during such period.][40] See *"— IESO Payment of Carrying Costs during the Moratorium Period"* below. Once it starts being included on such invoices, the Clean Energy Adjustment will be collected until all outstanding Funding Obligations and other Finance Amounts have been repaid in full. Subject to the FHPA, the Clean Energy Adjustment will be collected and remitted to the Issuer to pay the Finance Amount, including the principal and interest on the Senior Notes and all other administrative and other financing expenses of the Issuer.

The following diagram illustrates the flow of funds under the Fair Hydro Plan.



[1] There is currently one Specified Consumer that is directly connected to the IESO and, accordingly, makes payments, including in respect of the Clean Energy Adjustment, directly to the IESO.

Fair Allocation Amount and Financing Plan

The FHPA was enacted to: (i) ensure that Clean Energy Costs and Clean Energy Benefits are fairly allocated among present and future Specified Consumers; (ii) recognize that Clean Energy Benefits have accrued and will accrue over time and will continue to benefit present and future electricity consumers in Ontario; and (iii) align Clean Energy Costs with Clean Energy Benefits, in order to provide fairness for Specified Consumers over time. Under the FHPA, the Minister of Energy calculates a "**Fair Allocation Amount**", which is an amount for every Reference Period that, among other things, allocates the estimated Clean Energy Costs in proportion to the relative attribution of Clean Energy Benefits among Specified Consumers.[41] Under the FHPA, the Minister of Energy is responsible for determining the Fair Allocation Amount prior to the incurrence of the first Funding Obligation. The Fair Allocation Amount may be changed from time to time in accordance with the FHPA , provided that no change of the Fair Allocation Amount shall affect any Clean Energy Adjustment that arises as a result of a Funding Obligation that has been incurred prior to such change.

[40] **Note:** This narrative should more precisely track the FHPA. The relevant provisions are Section 25(3) [*the IESO shall not be entitled to collect all or part of the balance recorded in the variance account from specified consumers before May 1, 2021*] and Section 21(4) [*limitation on the Financial Services Manager incurring funding obligations payable through Clean Energy Adjustments from July 1, 2017 to April 30, 2021*].

[41] **Note:** Please consider a description of the fair allocation amount that more closely aligns to Section 20(1) of the FHPA.

OPG, as Financial Services Manager, is required to prepare a Financing Plan to evaluate whether and when potential Funding Obligations should be incurred by a Financing Entity to acquire an Investment Interest or for the purposes of a Refinancing. The Financial Services Manager is required to prepare the Financing Plan having regard to certain prescribed principles, including that Funding Obligations should be incurred such that, along with any Funding Obligations already incurred, the estimated Finance Amount that would, subject to any Refinancing, become due and payable during a Reference Period will reasonably align with the Fair Allocation Amount determined in respect of such Reference Period as of the date the Funding Obligations were incurred, after reducing the Fair Allocation Amount by the Readjustment Amount, if any, in respect of the Reference Period. In other words, the Financing Plan should contemplate the issuance of Funding Obligations from time to time, with terms that would result in Clean Energy Adjustments being payable by Specified Consumers that align with the purposes of the FHPA[, namely, to ensure that present and future Specified Consumers are bearing their fair share of the costs of providing Clean Energy Benefits][42]. Notwithstanding the above, the FHPA provides that each Funding Obligation is deemed to be consistent with the Financing Plan and to provide for the reasonable alignment of the estimated Finance Amount with the Fair Allocation Amount.

Currently, the Clean Energy Costs have been determined to exceed the Clean Energy Benefits, with the result that the Fair Allocation Amount is negative. This [means that the Minister of Energy has determined that current Specified Consumers have borne more than their fair share of Clean Energy Costs (with the consequent rate reduction for current Specified Consumers). The Fair Allocation Amount is expected to be negative until at least May 2024.][43] Accordingly, the Financing Plan does not currently contemplate the issuance of any Senior Notes maturing prior to May 2024. The Financial Services Manager may, however, determine to refinance Senior Notes maturing after May 2024 through the issuance of another Series of Senior Notes. If Senior Notes cannot be refinanced on or before the applicable Principal Payment Default Date, holders of such Senior Notes will have the ability to accelerate their Senior Notes resulting in Clean Energy Adjustments that would otherwise be used to pay the principal amount of subordinated indebtedness to holders of subordinated Notes being used to pay holders of accelerated Senior Notes.

The Financing Plan allows for the issuance of a variety of short and long term debt. See the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum for more details regarding the Financing Plan and the Fair Allocation Amount.

IESO Payment of Carrying Costs During the Moratorium Period

Commencing May 1, 2021, a charge in respect of the Clean Energy Adjustment will be included on invoices sent to Specified Consumers, and collected and remitted to the Issuer to pay amounts owing on the Senior Notes and all other administrative and financing expenses of the Issuer. During the Moratorium Period and extending to July 31, 2021,[44] the IESO, which is rated A(high) by DBRS Limited ("**DBRS**") and Aa2 by Moody's Investors Services, Inc. ("**Moody's**"), is required under the Regulations to pay and remit to the Issuer amounts charged to the IESO by the Issuer in respect of its Carrying Costs. Carrying Costs include all funding costs (such as interest on the Senior Notes) and other expenses of the Issuer, other than repayment of principal on any debt obligations of the Issuer (including repayment of principal on the Senior Notes).[45] The amounts paid by the IESO to fund these Carrying Costs will be recorded by the IESO in a variance account and form part of the Regulatory Asset that the IESO is expected to transfer to the Issuer in a subsequent period and, upon such transfer, will become part of the Issuer's Investment Interest pursuant to the Regulations.

Pursuant to the Master Transfer and Servicing Agreement, on or before the fourth business day of each calendar month, the Issuer will submit a carrying costs statement to the IESO certifying the amount of Carrying Costs estimated to be incurred by the Issuer in the following month. On or before the 14th business day following receipt of the Issuer's statement, the IESO is required to deliver the amount specified in the carrying costs statement to the Issuer. See *"The Transferor and Servicer"*. The IESO has a $2 billion unsecured credit facility provided by the Ontario Financing Authority, expiring ■, 20■, which is permitted to be used to pay the Issuer's Carrying Costs.

[42] **Note:** Any description of the purpose of the FHPA should conform with the stated purposes of the Act set out in Section 3.
[43] **Note:** MOE to confirm.
[44] **Note:** Please clarify this disclosure for consistency with Section 9.1(1) of the General Regulation. This provision states that the IESO shall pay financing entity carrying costs in respect of the period beginning June 1, 2017 (before the Moratorium Period) and ending July 31, 2021.
[45] **Note:** Consider revising to conform with the definition of "carrying costs" in Section 9.1(3) of the General Regulation.

Furthermore, as security for the performance of its obligations under the Regulations to pay the Issuer's Carrying Costs, the IESO has granted the Issuer a first-priority security interest in all of its accounts receivable, which includes the amounts receivable by the IESO from Electricity Vendors with respect to the global adjustment charge. See *"The Transferor and Servicer"*.

Other Statutory Protections

The FHPA provides certain protection and assurances in respect of the obligations of Specified Consumers to pay amounts in respect of the Clean Energy Adjustment. Generally, no action or omission by the OEB, the Minister of Energy or the Crown, and no regulation under the FHPA, will be effective to reduce, impair, postpone or terminate the obligations of Specified Consumers to pay amounts in respect of the Clean Energy Adjustment or to impair or postpone the invoicing, collection or remittance of the Clean Energy Adjustment. If an Electricity Vendor, the IESO or the Financial Services Manager, has failed, or will fail, to comply with the FHPA or the Regulations, the Issuer may apply to an Ontario court to make an order directing such party to comply and requiring compensation to be provided to the Issuer by such non-compliant party. Additional contractual protections are provided in the Change of Law Protection Agreement described below.

CHANGE OF LAW PROTECTION AGREEMENT

The following brief summary of certain provisions of the Change of Law Protection Agreement does not purport to be comprehensive or definitive. All references in this confidential shelf offering memorandum to the Change of Law Protection Agreement are qualified in their entirety by reference to the Change of Law Protection Agreement and the detailed provisions thereof. The Change of Law Protection Agreement may be reviewed at the principal office of the Issuer Trustee in Toronto, Ontario during normal business hours while any Senior Notes are outstanding.

Pursuant to the Change of Law Protection Agreement in favour of the Indenture Trustee, upon a Protection Event and delivery by the Indenture Trustee of a written payment demand, the Province of Ontario is required to make payments of amounts that are due and payable in respect of all Approved Obligations when due and payable into the Protection Account (as hereinafter defined). The Issuer and Indenture Trustee must ensure that amounts deposited into the Protection Account are applied to pay each Specified Creditor to whom an amount is due and payable under an Approved Obligation. The Province of Ontario's obligation to make such payments under the Change of Law Protection Agreement upon a Protection Event and delivery by the Indenture Trustee of a written payment demand is referred to as the "**Limited Guarantee**".

The payment obligations of the Province of Ontario under the Limited Guarantee differ depending on whether an Acceleration has occurred. If no Acceleration has occurred in respect of any Obligation Secured on or before a date on which the Province of Ontario is to perform the Limited Guarantee, the Change of Law Protection Agreement provides that the Province of Ontario is to pay the amounts due and payable on such date in respect of Approved Obligations. If an Acceleration has occurred in respect of any Obligation Secured on or before a date on which the Province of Ontario is to perform the Limited Guarantee, the Province of Ontario is to pay the amounts that would be available to be paid on such date in respect of the Approved Obligation on an applicable payment date in respect of the Approved Obligation under the applicable payment provisions of the Master Trust Indenture, determined on the assumption that the amount available for allocation to Specified Creditors in accordance with such applicable payment provisions of the Master Trust Indenture in respect of each relevant month during each Reference Period is equal to the estimated Finance Amount determined in respect of such Reference Period for purposes of [section 15(1) of the FHPA (in effect as at December 21, 2017), including section 6.1 of the General Regulation under the FHPA (in effect as at December 21, 2017)][46], divided by the number of months in such Reference Period.

The Province of Ontario is not obligated to pay or indemnify the Indenture Trustee or any Specified Creditor for consequential, special or punitive damages, or for economic loss or loss of profits (provided that economic loss does not include payments of amounts that are due and payable in respect of the Notes).

[46] Perhaps this should instead cross-reference a more detailed description and explanation of the "Acceleration" mechanics under 6.1 of the Regulation.

Under the Change of Law Protection Agreement, the right to deliver a written payment demand on occurrence of a Protection Event to enforce the Limited Guarantee is the only remedy available to the Indenture Trustee (and to Specified Creditors, to the extent they are permitted to exercise any rights, interests or elections under and in accordance with the Master Trust Indenture). Specified Creditors are not permitted to exercise any rights, interests, or elections under the Change of Law Protection Agreement, other than in the manner and to the extent effected and exercised under, in accordance with and subject to the limitations set forth in the Master Trust Indenture as at December 21, 2017.

In connection with the provision of the Limited Guarantee, OPG, as Financial Services Manager, has entered into a process agreement with the Province of Ontario pursuant to which OPG is required to satisfy certain reporting and other requirements regarding the Issuer's incurrence of, and material amendments to, any Issuer Funding Obligations.

Protection Event

Each of the following constitutes a "**Protection Event**" under the Change of Law Protection Agreement:

(a)

(i) the Ontario legislature repeals, and does not replace on an equivalent basis, or amends, the FHPA, in whole or in part, as in effect on the date hereof;

(ii) the Ontario legislature enacts or amends any other statute;

(iii) the Lieutenant Governor in Council repeals, and does not replace on an equivalent basis, the regulations made under the FHPA, in whole or in part, as in effect on the date hereof;

(iv) the Lieutenant Governor in Council, a minister of the Crown, an official of the government or a board or commission all the members of which are appointed by the Lieutenant Governor in Council makes or amends any "regulation" (as defined in Part III of the *Legislation Act, 2006*) as in effect on the date hereof; or

(v) the implementation of a change in the organization or structure of the IESO or Ontario's electricity market undertaken at the initiative of the Province of Ontario or an entity controlled by the Province of Ontario,

in each case, that (X) adversely affects the ability of the Issuer to receive amounts in respect of its Investment Interest so that it can pay Approved Obligations when due and payable, in each case determined after taking into account and having regard to (i) any funds available at such time to apply to such Approved Obligations, including in any finance reserve account, capital account or collateral posting account applicable under a derivative agreement, (ii) the availability of any credit enhancement agreement to which the Issuer is a party and (iii) any reasonably expected potential effect of a True-up Amount in the Reference Period immediately following the occurrence of an event described in any of clauses (i) to (v) above, or (Y) adversely affects the enforceability of, or adversely changes, the terms and conditions of the Change of Law Protection Agreement or of any of the agreements under which Approved Obligations arise; or

(b) a court of competent jurisdiction determines that all or a portion of the FHPA or the Regulations, as in effect on the date hereof, is *ultra vires* or invalid in a way that adversely affects the ability of the Issuer to receive amounts in respect of its Investment Interest so that it can pay Approved Obligations when due and payable and that has the effect of the Issuer not in fact having sufficient funds to pay such Approved Obligations that have become due and payable, in each case determined after taking into account and having regard to (i) any funds available at such time to apply to such Approved Obligations, including in any finance reserve account, capital account or collateral posting account applicable under a derivative agreement, (ii) the availability of any credit enhancement agreement to

which the Issuer is a party and (iii) any reasonably expected potential effect of a True-up Amount in the Reference Period immediately following the occurrence of an event described in this paragraph (b).

The occurrence of a Protection Event in and of itself will not result in the acceleration of the Senior Notes.

On a Protection Event and payment by the Province of Ontario of amounts in respect of Approved Obligations that are due and payable into the Protection Account, such deposited amounts are applied by the Issuer and Indenture Trustee in the priority of payments governed by the Master Trust Indenture.

Upon the Province of Ontario's payment of amounts in respect of Approved Obligations that are due and payable into the Protection Account, the Province of Ontario will be subrogated and entitled to all of the rights and interests of applicable Specified Creditors (including Noteholders) under and in respect of the Approved Obligations to the extent of the amounts paid. Applicable Specified Creditors in respect of whom amounts were deposited into the Protection Account will not have continuing rights, interests or entitlements (including rights as a secured party) in respect of Approved Obligations to the extent so paid; the Province of Ontario will be the absolute assignee of such rights. The Province of Ontario will have the right to be paid from the Issuer the amounts that the Province of Ontario paid in respect of the Approved Obligations ("**Subrogation Amounts**"), such Subrogation Amounts being payable in the same order of priority and with the same entitlements accruing to the Province of Ontario as applied to the amounts in respect of the Approved Obligations previously owing to Specified Creditors that the Province of Ontario has paid. The Province of Ontario will also be entitled to the benefit of the Collateral (as hereinafter defined) and proceeds therefrom to the extent of the amounts paid under the Limited Guarantee.

As payee of Subrogation Amounts, the Province of Ontario will be a Specified Creditor under the Master Trust Indenture and no person entitled under any Obligation Secured (including a Specified Creditor) that ranks equal with or subordinate to the Approved Obligation in respect of which the Province of Ontario is owed a Subrogation Amount will be entitled to make any claim or assert any right in or to the amounts paid or payable to the Province of Ontario, and no such person will have any right to the Collateral or any proceeds therefrom in respect of any Subrogation Amount. Further, the entitlements of the Province of Ontario to Subrogation Amounts arising in respect of Approved Obligations that are interest and principal obligations on Notes will be treated for all purposes of the Master Trust Indenture as interest and principal obligations, respectively, arising under Notes, having the same priority and any applicable voting rights as under the related Approved Obligations, and accordingly the Province of Ontario will be entitled to all of the rights, entitlements, interests and privileges of a holder of such Notes in accordance with the Master Trust Indenture, as supplemented by the supplemental indenture or other indenture document under which the related Approved Obligations were issued.

Approved Obligations & Adherence Conditions

Under the Management Agreement, the Manager is required to ensure that all obligations of the Issuer are and remain Approved Obligations under the Change of Law Protection Agreement.

An "**Approved Obligation**" under the Change of Law Protection Agreement means: (i) a Certified Primary Obligation if the adherence conditions applicable thereto have been satisfied at the time such obligation was incurred; (ii) all other Primary Obligations that are not Certified Primary Obligations (except any Primary Obligation to which the Limited Guarantee will not apply on or after delivery of a Suspension Notice as described below); and (iii) all Certified Primary Obligations that the Province of Ontario, in its sole discretion, designates in writing is an Approved Obligation.

A "**Primary Obligation**" under the Change of Law Protection Agreements means any Obligation Secured under the Master Trust Indenture (i) that is a Funding Obligation or (ii) that otherwise is a payment obligation of the Issuer that gives rise to a Finance Amount, in each case other than (x) any amounts required to be deposited by or on behalf of the Issuer into any capital account or finance reserve account; and (y) any obligation to pay the Issuer or on the Issuer's direction any remaining amounts in the Collection Account pursuant to the Master Trust Indenture.

A "**Certified Primary Obligation**" means a Primary Obligation: (i) incurred by or on behalf of the Issuer to fund its ownership of an Investment Interest, including any Refinancing, other than a Post-Suspension Refinancing or a Pre-Approved Refinancing (each as defined below), of such a Primary Obligation (for greater certainty, including, in the case of any Certified Primary Obligation permitting funding transactions pursuant to a Funding Obligation Agreement applicable to the Certified Primary Obligation, each individual borrowing or funding utilization thereunder), (ii) incurred by or on behalf of the Issuer upon the Issuer entering into a derivative agreement, in which case the Certified Primary Obligation therefor shall be the Master Agreement applicable to such derivative agreement and not any individual trade confirmation other than a trade confirmation that modifies or purports to override the express terms or conditions of the related Master Agreement, or (iii) incurred by or on behalf of the Issuer upon entering into a contract that has a term of more than three (3) years which is not terminable by the Issuer giving three (3) years' notice or less and expected (as determined by the Manager, acting reasonably) aggregate payments by the Issuer thereunder during the term of such contract are or would be in excess of $5,000,000 (that, for greater certainty, is not otherwise captured in clauses (i) and (ii) above).

The Limited Guarantee shall apply to all Certified Primary Obligations that meet the following adherence conditions:

(a) the Certified Primary Obligation when incurred is an Obligation Secured under the Master Trust Indenture;

(b) OPG, as Financial Services Manager, delivers a certificate to the Indenture Trustee on or before the incurrence of such obligation certifying, among other things, that OPG has delivered a certificate to the Province of Ontario confirming that OPG has complied with all of its obligations to the Province of Ontario and internal requirements and processes in connection with the adherence of the Limited Guarantee to the Certified Primary Obligation (an "**Adherence Compliance Certificate**"); and

(c) the Province of Ontario has not provided a Suspension Notice to the Indenture Trustee, OPG and the Issuer.

All Senior Notes shall constitute Obligations Secured under the Master Trust Indenture and therefore condition (a) above will be satisfied for all Offerings of Senior Notes. It will be a condition to any Offering of Senior Notes that OPG deliver the adherence certificate required pursuant to (b) above or that the Province of Ontario designates in writing that the Senior Notes are Approved Obligations. The Change of Law Protection Agreement provides that delivery of an adherence certificate shall be determinative of satisfaction of this adherence condition, notwithstanding that such certificate may include inaccuracies, be incomplete or otherwise be defective or deficient, and such certificate may be relied upon as conclusive evidence of same.

Suspension Notice & Post-Suspension Refinancings

The Change of Law Protection Agreement will remain in full force and effect until the indefeasible payment, observance and performance in full of the Approved Obligations.

However, in the following limited circumstances, the Province of Ontario may deliver a written notice (a "**Suspension Notice**") to the Indenture Trustee, the Financial Services Manager and the Issuer:

(a) an acceleration of Funding Obligations in accordance with the provisions of the Master Trust Indenture or an event of default, early amortization event, termination event or similar event or circumstance (including any event that with the passage of time or the giving of notice would become such an event) of or in respect of the obligations of any party under any Program Agreement;

(b) a default in the performance, or breach, of any covenants of OPG, as Financial Services Manager, or OPG, in its corporate capacity, in each case to the Province of Ontario in connection with its obligations to the Province of Ontario pursuant to internal requirements and processes in connection with the provision or adherence of

the Limited Guarantee to or in respect of any Certified Primary Obligation and the expiration of any applicable cure period;

(c) a representation or warranty made by OPG or a certification made by one or more officers of OPG, in each case whether as Financial Services Manager or in its corporate capacity, to the Province of Ontario in connection with its obligations to the Province of Ontario and its internal requirements and processes in connection with the provision or adherence of the Limited Guarantee to or in respect of any Certified Primary Obligations, proves to be incorrect in any material respect on the date made and the expiration of any applicable cure period; or

(d) the Financial Services Manager no longer being the Manager or actions having been taken by or on behalf of the Indenture Trustee to remove the Financial Services Manager as the Manager;

If a Suspension Notice has been provided under the Change of Law Protection Agreement (the provision of such notice being a "**Suspension Event**"), the Limited Guarantee shall not apply in respect of: (i) any Primary Obligation incurred, excluding any Post-Suspension Refinancing, or (ii) any amendment of any Primary Obligation that has a Material Effect, unless otherwise agreed to by the Province of Ontario, in each case, on or after the time such Suspension Notice is delivered.

Following the occurrence of a Suspension Event, the Limited Guarantee shall continue to apply in respect of any Post-Suspension Refinancing; provided that prior to the Financing Entity incurring any Primary Obligation constituting a Post-Suspension Refinancing, the Manager shall provide the Province of Ontario with at least 30 days' notice of its intention to seek a Post-Suspension Refinancing and during such 30-day period the Province of Ontario may, but is not obligated to, offer to fund such Post-Suspension Refinancing or arrange for another Person to fund such Post-Suspension Refinancing on the same terms as set out in the notice or on such other terms as may be considered by the Province of Ontario to be not more onerous on the Financing Entity and that are acceptable on that basis to the Financing Entity, acting reasonably.

A "**Post-Suspension Refinancing**" means a Funding Obligation that is an Obligation Secured and that is incurred on or after the occurrence of a Suspension Event in compliance with the requirements of the Change of Law Protection Agreement, as a Refinancing of one or more Series of Approved Obligations (including any Pre-Approved Refinancing incurred on or after the occurrence of a Suspension Event), in each case the proceeds of which, together with any other funds that may be available, are used solely for the purpose of paying in full such Series of Approved Obligations and any costs and expenses associated with such Refinancing.

A "**Pre-Approved Refinancing**" means a Refinancing of a Certified Primary Obligation in respect of which the Province of Ontario has, prior to the incurrence of such Certified Primary Obligation, agreed shall be an Approved Obligation, subject to compliance with such conditions and requirements as may be specified in such agreement.

A "**Material Effect**" means a material adverse effect on the obligations or the rights of the Province of Ontario under the Limited Guarantee that relates to, and in each case, differs in any material respect from the terms or conditions applicable to any transaction document which was previously provided to the Province of Ontario, the following: (i) the timing of or circumstances under which Primary Obligations would or may become due or accrue (including as a result of any default, acceleration, termination, wind-up, liquidation or realization) that, in each case, is inconsistent with the Fair Allocation Amount; (ii) the appointment, obligations or duties of OPG as the Manager; (iii) the existence, powers or authority of the Issuer or the Issuer Trustee; (iv) the obligations of the Indenture Trustee to or in respect of the Province of Ontario as a Specified Creditor; (v) the payment provisions and associated priorities set forth in the Master Trust Indenture; (vi) compliance by the Financial Services Manager with the then applicable Financing Plan; (vii) compliance by the Financial Services Manager or the Issuer with the FHPA or the Regulations; or (viii) the Province of Ontario's rights of subrogation or assignment or its interests as a subrogee or an assignee, that would arise as a result of performing the Limited Guarantee in respect of the applicable Primary Obligation.

Accordingly, notwithstanding delivery of a Suspension Notice, the Limited Guarantee shall continue to apply to: (i) any Approved Obligations that were incurred prior to the Suspension Event and (ii) any Funding

Obligations incurred by the Issuer following a Suspension Event if the terms and conditions of the Change of Law Protection Agreement are satisfied and the proceeds of such incurrence are to be used for the purpose of repaying one or more series of Approved Obligations. Accordingly, subject to compliance with the Change of Law Protection Agreement, any Senior Notes or other Funding Obligations that may be issued following a Suspension Event to refinance Senior Notes that were Approved Obligations issued prior to a Suspension Event will continue to have the benefit of the Limited Guarantee.

THE ISSUER

The Issuer is an unincorporated open-ended unit trust ~~established under~~governed by the laws of the Province of Ontario pursuant to a declaration of trust made December 20, 2017 (the "**Declaration of Trust**"). Computershare Trust Company of Canada (the "**Issuer Trustee**") is the sole trustee of the Issuer, which is a Financing Entity established to incur Funding Obligations for the purpose of acquiring Investment Interests pursuant to the FHPA. The principal business address and head office of the Issuer is in Ontario, in the care of the Issuer Trustee at the following address: 100 University Avenue, 11th Floor, Toronto, Ontario M5J 2Y1.

The following brief summary of certain provisions of the Declaration of Trust does not purport to be comprehensive or definitive. All references in this confidential shelf offering memorandum to the Declaration of Trust are qualified in their entirety by reference to the Declaration of Trust and the detailed provisions thereof. The Declaration of Trust may be reviewed at the principal office of the Issuer Trustee in Toronto, Ontario during normal business hours while any Senior Notes are outstanding.

The Declaration of Trust establishes the Issuer to carry on activities for the exclusive benefit of its unitholders, FHP2017 Inc., a wholly-owned subsidiary of OPG, and BNY Trust Company of Canada, the Indenture Trustee under the Master Trust Indenture (collectively, the "**Unitholders**"). The beneficial interest and rights generally of the Unitholders in the Issuer are limited to the right to participate in distributions when and as declared by the Issuer Trustee and distributions upon the termination of the Issuer. The legal ownership of the trust property and the right to conduct the activities of the Issuer are vested exclusively in the Issuer Trustee and no Unitholder has any right of ownership in any of the trust property. Except in limited circumstances provided in the Declaration of Trust, no Unitholder is entitled to interfere with or give any direction to the Issuer Trustee with respect to the affairs of the Issuer or in connection with the exercise of any powers or authorities conferred upon the Issuer Trustee under the Declaration of Trust. The Issuer Trustee will generally have, free from any power or control on the part of the Unitholders, full authority over the trust property and the activities of the Issuer to the same extent as if the Issuer Trustee were the sole and absolute owner thereof. The Unitholders will also not be subject to any liability arising out of the activities of the Issuer.

The Issuer Trustee, on behalf of the Issuer, has entered into a management agreement with OPG, as Manager, whereby all of the powers and duties of managing the Issuer have been delegated to the Manager. See *"The Manager."*

The permitted activities of the Issuer are limited to:

(a) acquiring, owning, holding, administering or entering into agreements regarding the acquisition and servicing of Investment Interests, along with certain other related assets;

(b) managing, selling, assigning, pledging and collecting amounts due on or otherwise dealing with Investment Interests and certain other related assets in accordance with the terms of the Program Agreements;

(c) negotiating, authorizing, executing, delivering, assuming the obligations under and performing its duties under the Program Agreements;

(d) filing with any applicable securities commission one or more prospectuses, offering memoranda, registration statements or documents necessary or desirable to register one or more series of Funding Obligations under the securities laws of any applicable jurisdiction;

(e) authorizing, executing, delivering, issuing and registering one or more series of Funding Obligations;

(f) making payments on Funding Obligations;

(g) pledging its interest in Investment Interests and related assets to the Indenture Trustee in order to secure Funding Obligations; and

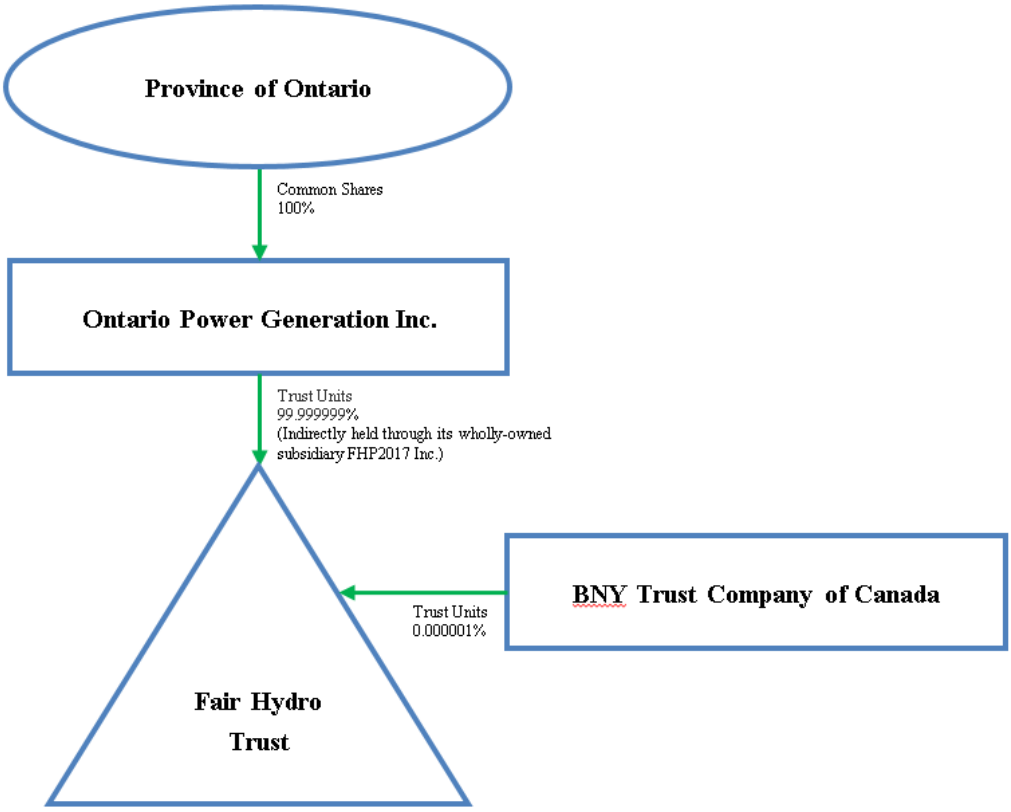
(h) engaging in any lawful act or activity that is incidental to the above-mentioned purposes.

The Issuer Trustee may amend the Declaration of Trust under specified circumstances without the consent of Unitholders provided (i) the amendment will not materially adversely affect the interest of any Unitholder, unless that Unitholder has approved of the amendment in writing, and (ii) in respect of any material amendment, the Rating Agency Condition has been satisfied. The Issuer Trustee is required to provide the Rating Agencies and the Indenture Trustee with a copy of any amendment, variation, supplement, replacement or restatement of the Declaration of Trust.

The consent of the Indenture Trustee, in addition to all other Unitholders, will be required to wind up the Issuer or voluntarily institute or consent to insolvency proceedings against the Issuer while any Funding Obligations remain outstanding. The Issuer Trustee may be removed by the Unitholders at any time by notice in writing delivered to the Issuer Trustee not less than 90 days prior to the date such removal is to take effect. The Issuer Trustee may also be removed by the Unitholders with no prior written notice if it becomes bankrupt or insolvent or it is unable to exercise its duties under the Declaration of Trust. The Issuer Trustee may resign on 120 days' prior written notice to the Unitholders, the Indenture Trustee and the Rating Agencies. No such resignation will be effective until a replacement issuer trustee acceptable to the Unitholders and the Indenture Trustee has been appointed and the Rating Agency Condition has been satisfied.

Each of the Issuer Trustee and its directors, officers, agents, representatives and employees will be indemnified from and against all claims (including any claim arising out of the assessment of any tax on income by a taxing authority), demands, levies, penalties, suits, losses, actions, causes of action, costs, charges, fees and expenses, damages and liabilities whatsoever arising out of, among other things, any action or omission in relation to the execution of the duties of the Issuer Trustee or in relation to the trust property or the activities of the Issuer, except, in each case, for wilful misconduct, gross negligence or failure to comply with the standard of care established by the Declaration of Trust.

The following diagram illustrates the structure of the Issuer and its affiliates.



THE MANAGER

OPG has entered into a management agreement with the Issuer dated as of December 20, 2017 (the "**Management Agreement**") pursuant to which the Issuer has delegated to OPG, as Manager, all of the powers and duties of managing the Issuer. The following brief summary of certain provisions of the Management Agreement does not purport to be comprehensive or definitive. All references in this confidential shelf offering memorandum to the Management Agreement are qualified in their entirety by reference to the Management Agreement and the detailed provisions thereof. The Management Agreement may be reviewed at the principal office of the Issuer Trustee in Toronto, Ontario during normal business hours while any Senior Notes are outstanding.

The powers and duties delegated to the Manager under the Management Agreement include, among others:

(a) negotiating and executing, on behalf of the Issuer, the Program Agreements;

(b) maintaining accounts and banking records;

(c) enforcing the rights of the Issuer under the Program Agreements and the FHPA;

(d) determining, in accordance with the Financing Plan, when it is appropriate for the Issuer to incur Funding Obligations;

(e) ensuring that all Primary Obligations of the Issuer are and remain Approved Obligations;

(f) administering all activities of the Issuer in connection with the issuance, sale, payment, repurchase and redemption of the Issuer's Funding Obligations;

(g) preparing, in accordance with applicable securities laws, any offering documents to be furnished by the Issuer to prospective purchasers of Funding Obligations, including the Senior Notes, and ensuring that all statements of the Issuer made therein are at all times true and correct in all material respects;

(h) arranging for compliance by the Issuer with any continuous disclosure obligations;

(i) arranging for the retention of legal counsel, accountants and an auditor for the Issuer;

(j) preparing financial statements and paying taxes on behalf of the Issuer;

(k) preparing a monthly portfolio report setting out information regarding incoming and outgoing cash flows; and

(l) providing such other services as are incidental to the foregoing or as may be agreed upon between the Issuer and the Manager.

The Manager is also required to work with the IESO to develop, on or before January 31, 2020, a written implementation plan identifying the actions to be taken by the IESO and the Issuer to facilitate the OEB, the Issuer, the IESO and Electricity Vendors being prepared to perform their obligations under the FHPA and the Regulations when setting, invoicing and collecting the Clean Energy Adjustment. The Manager will deliver written progress reports to the Issuer and the Indenture Trustee on the status of the implementation plan on or before June 30, 2020, October 31, 2020 and January 31, 2021.

Following the Moratorium Period, the Manager will review a monthly servicer report required to be delivered to the Issuer by the IESO under the Master Transfer and Servicing Agreement and make commercially reasonable efforts to resolve any Electricity Vendor failures or discrepancies identified in such report that have not been remedied or adequately explained by Electricity Vendors. The Manager is obligated to institute any proceedings necessary to compel performance by Electricity Vendors of any obligations or duties under the FHPA and the Regulations, including with respect to the invoicing, collection and remittance of Clean Energy Adjustment amounts. Commencing May 1, 2021 and pursuant to its rights under the Regulations,[47] the Manager shall review, or cause to be reviewed, on an annual basis, or less frequently as may be determined by the Manager and subject to satisfaction of the Rating Agency Condition, the records maintained by Electricity Vendors with respect to the Clean Energy Adjustment and if there is evidence of material non-compliance by an Electricity Vendor, the Manager will promptly review or cause to be reviewed the records of such Electricity Vendor.

The Manager is obligated to perform its duties under the Management Agreement diligently and in conformity with the Issuer's obligations under each of the Program Agreements and with the FHPA and the Regulations, as applicable, and honestly, in good faith and in the best interest of the Issuer. The Manager must exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

In addition to the powers and duties delegated to OPG pursuant to the Management Agreement, OPG has also agreed to comply with its duties under the FHPA in its capacity as Financial Services Manager, including:

(a) preparing the Financing Plan to evaluate whether potential Funding Obligations should be incurred by Financing Entities for the purposes of acquiring Investment Interests in accordance with the FHPA or for the purposes of a Refinancing;

(b) determining the amounts of the Clean Energy Adjustment, inclusive of any True-up Amount;

(c) calculating the True-up Amount;

[47] Please confirm the source of the right to review electricity vendor records under the Regulations. If this refers to Section 10(4) of the General Regulation, the right is that of the Issuer or the FSM.

(d) notifying the OEB of the Clean Energy Adjustment, inclusive of any True-up Amount;

(e) administering the Investment Interests on behalf of Financing Entities in accordance with the Program Agreements;

(f) ensuring that Funding Obligations are incurred in a manner that is consistent with the Financing Plan; and

(g) establishing and charging fees for the services provided under the Management Agreement.

Subject to OEB approval and the Regulations, OPG is entitled to charge the Issuer a fee, comprised of a base fee and a variable fee, to earn a return and to recover costs and expenditures incurred by OPG on behalf of the Issuer or in relation to the establishment, management and administration of the Issuer and its Investment Interest. The priority of the Manager's entitlement to fees is subject to the payment priorities set forth in the Master Trust Indenture.

The Manager is not entitled to resign from its duties or terminate the Management Agreement as long as Funding Obligations remain outstanding. The Manager may be terminated by the Issuer Trustee, with the consent of the Indenture Trustee, or by the Indenture Trustee in accordance with the Master Trust Indenture. No termination of the Manager will be effective until a replacement manager that satisfies the Rating Agency Condition has been approved and has entered into a management agreement with the Issuer whereby the replacement manager agrees to assume, in substance, the obligations of the Manager under the Management Agreement. If the Manager ceases to perform, or inadequately performs, its management duties under the Management Agreement, it might be difficult to find a replacement for the Manager or a successor manager. See "*Risk Factors – Payments on the Senior Notes depend on the performance of OPG as Financial Services Manager and Manager of the Issuer.*"

The Manager shall provide to the Issuer Trustee an annual certificate confirming compliance with certain matters, including: (i) accurate maintenance of the books and records of the Issuer; (ii) all debt obligations and expenses due and payable by the Issuer have been paid to date; (iii) all required filings with tax and regulatory authorities have been completed to date; and (iv) all material statements and reports to be delivered by the Issuer under the Program Agreements have been delivered and all material statements and reports to be received by the Issuer under the Program Agreements have been received.

The Manager indemnifies the Issuer under the Management Agreement for any losses incurred by the Issuer as a result of the failure of the Manager to perform its obligations under the Management Agreement or any breach by the Manager of its representations and warranties under the Management Agreement or any other Program Agreement to which it is a party, except to the extent such losses result from the willful misconduct, bad faith or gross negligence of the Issuer. Notwithstanding the foregoing, the Manager is not obligated to indemnify the Issuer under the Management Agreement for any losses resulting from: (i) a breach or failure to perform by a third party under any Program Agreement, the FHPA or the Regulations (excluding any delegation by the Manager under the Management Agreement to a third party); (ii) changes in law, (iii) the validity or applicability of the Change of Law Protection Agreement; (iv) the collectability or sufficiency of the Clean Energy Adjustment or Carrying Costs to satisfy the Issuer Funding Obligations, including the Senior Notes; or (v) any liability of the Issuer incurred after termination of the Management Agreement unless attributable to the actions or omissions of the Manager prior to such termination or in respect of a representation, warranty or covenant that survives such termination.

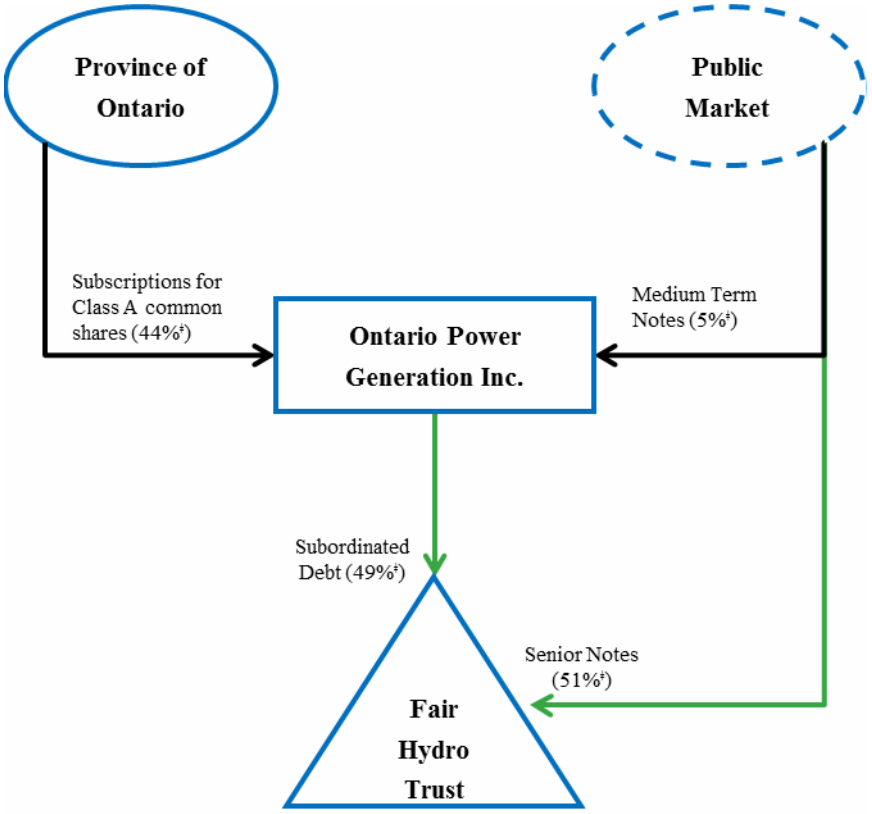
SUBORDINATED DEBT

Concurrent with every issuance of senior debt by the Issuer, including any Offering of Senior Notes, it is expected that OPG will subscribe for subordinated debt and junior subordinated debt of the Issuer in an amount of no more than 49% of all of the Issuer's Funding Obligations, approximately 44% of which is expected to be funded through equity investments in OPG by the Province of Ontario with the remaining approximate 5% being funded from OPG's available funds, including all or a portion of the proceeds of any offerings by OPG of medium term notes).

Under the Master Trust Indenture, the Issuer will be required at all times to ensure that: (i) the aggregate outstanding principal amount of all subordinated debt and junior subordinated debt be equal to not less than 35% of the aggregate outstanding principal amount of all of the Issuer's Funding Obligations; and (ii) the aggregate outstanding principal amount of all junior subordinated debt be equal to not less than 10% of the aggregate outstanding principal amount of all of the Issuer's Funding Obligations.

The Issuer is structured to be bankruptcy remote from OPG insofar as none of OPG, its subsidiaries or holders of its indebtedness will have any recourse whatsoever against the Issuer or its assets other than OPG's rights and remedies as a holder of subordinated debt of the Issuer in accordance with the provisions of that indebtedness. From an accounting perspective, however, the Issuer will be consolidated with OPG.

The following diagram illustrates the expected structure of OPG's investments in subordinated debt of the Issuer.



‡ OPG will acquire up to 49% of the Issuer's outstanding debt in the form of subordinated debt. Actual amounts may vary if OPG acquires less than 49% of the Issuer's outstanding debt.

SHORT TERM INDEBTEDNESS

On December 21, 2017, the Issuer entered into the following supplemental indentures under the Master Trust Indenture for the provision of an aggregate of approximately $1.56 billion in short term indebtedness (collectively, the "**Warehouse Facilities**"), of which a total of $1.179 billion is drawn as of the date hereof:

(i) a warehouse senior series 2017-1 supplemental indenture with, among others, Royal Bank of Canada, as administrative agent for certain commercial paper conduit purchasers and financial institutions named therein, for the provision of an aggregate maximum principal amount of $800,000,000 floating rate variable funding Senior Notes, Series 2017-1 ("**Senior Notes, Series 2017-1**"), of which $601,290,000 is drawn;

(ii) a warehouse subordinated series 2017-1 supplemental indenture with, among others, OPG for the provision of an aggregate maximum principal amount of $611,764,705.88 floating rate variable funding Subordinated Notes, Series 2017-1 ("**Subordinated Notes, Series 2017-1**"), of which $459,810,000 is drawn; and

(iii) a warehouse junior subordinated series 2017-1 supplemental indenture with, among others, OPG for the provision of an aggregate maximum principal amount of $156,862,745.10 floating rate variable funding Junior Subordinated Notes, Series 2017-1 ("**Junior Subordinated Notes, Series 2017-1**"), of which $117,900,000 is drawn.

The issuance of Senior Notes, Series 2017-1, Subordinated Notes, Series 2017-1 and Junior Subordinated Notes, Series 2017-1 under the Warehouse Facilities described above were used to acquire a $1.179 billion Investment Interest from the IESO on December 21, 2017.

THE TRANSFEROR AND SERVICER

The IESO has entered into a master transfer and servicing agreement with the Issuer dated as of December 21, 2017 (the "**Master Transfer and Servicing Agreement**") pursuant to which the IESO may periodically transfer specified portions of the Regulatory Asset to the Issuer. Additional information regarding the IESO, including its most recently published financial statements, is available at www.ieso.ca. Such information does not form part of this confidential shelf offering memorandum and neither the Issuer nor the Agents guarantee the accuracy of such information or has independently verified the accuracy or completeness of any such information or to determine if there has been any omission by the IESO to disclose any facts, information or events which may affect the significance or accuracy of any such financial statements or other information.

The following brief summary of certain provisions of the Master Transfer and Servicing Agreement does not purport to be comprehensive or definitive. All references in this confidential shelf offering memorandum to the Master Transfer and Servicing Agreement are qualified in their entirety by reference to the Master Transfer and Servicing Agreement and the detailed provisions thereof. The Master Transfer and Servicing Agreement may be reviewed at the principal office of the Issuer Trustee in Toronto, Ontario during normal business hours while any Senior Notes are outstanding.

Under the Master Transfer and Servicing Agreement, the IESO may offer, no more frequently than monthly, to transfer to the Issuer its right, title and interest in, to and under a specified portion of the Regulatory Asset. The Issuer has the right, but not the obligation, to accept the IESO's offer. The IESO is responsible for servicing the Issuer's Investment Interest in accordance with the Regulations and the Master Transfer and Servicing Agreement. Its responsibilities including, among others:

(a) establishing a segregated account to be used for the sole purpose of collecting the Clean Energy Adjustment in respect of the Issuer's Investment Interest and making commercially reasonable efforts to cause Electricity Vendors to do the same;

(b) making commercially reasonable efforts to cause each Electricity Vendor to establish procedures for the invoicing of amounts in respect of the Clean Energy Adjustment;

(c) responding to inquiries by Electricity Vendors with respect to the Clean Energy Adjustment and amounts payable in respect thereof;

(d) reviewing reports submitted to the IESO by Electricity Vendors regarding the collection of Clean Energy Adjustment amounts for material manifest discrepancies;

(e) contacting Electricity Vendors on the occurrence of certain events;

(f) holding Clean Energy Adjustment amounts collected in respect of the Issuer's Investment Interest in trust for the benefit of the Issuer and remitting such amounts to the Issuer on a monthly basis, subject to daily remittance being required in certain limited circumstances;

(g) together with the Issuer, settling a form of monthly servicer report to be provided to the Issuer; and

(h) forecasting the electricity consumption of Specified Consumers and providing such forecast information to the OEB and the Issuer.

While the IESO provides no guarantee that collections of the Clean Energy Adjustment from Electricity Vendors will equal amounts invoiced or that the Clean Energy Adjustment amounts will be sufficient to satisfy the Issuer's Funding Obligations, the IESO must follow standards, policies and procedures in performing its servicing duties that are customary for an electricity market operator and administrator that regularly performs settlement functions.

The IESO is required to work with the Manager to develop, on or before January 31, 2020, a written implementation plan identifying the actions to be taken by the IESO and the Issuer to facilitate the OEB, the Issuer, the IESO and Electricity Vendors being prepared to perform their obligations under the FHPA and the Regulations when setting, invoicing and collecting Clean Energy Adjustment amounts. The IESO and the Manager will deliver to the Issuer written progress reports on the status of the implementation plan on or before June 30, 2020, October 31, 2020 and January 31, 2021. The IESO is also required to work with the Issuer to settle a form of monthly servicer report, which will be provided to the Manager on or before the 20th business day after the end of each month in which Clean Energy Adjustment amounts are collected by Electricity Vendors from Specified Consumers, and which report is expected to contain available information regarding the Clean Energy Adjustment amounts billed, collected and remitted by Electricity Vendors, actual electricity consumption compared to forecast electricity consumption and such other information as may be agreed to by the IESO.

Generally, all servicing duties provided by the IESO to the Issuer are provided at no cost to the Issuer.[48] However, the Issuer will reimburse the IESO for its direct costs relating to the performance by the IESO of its duties and obligations under the Master Transfer and Servicing Agreement that are not otherwise recovered by the IESO under the *Electricity Act, 1998* (Ontario), excluding any costs relating to the performance of the IESO's duties and obligations under the FHPA or the Regulations, including its obligation to pay the Issuer's Carrying Costs.

During the Moratorium Period and extending to July 31, 2021, the IESO, which is rated A(high) by DBRS and Aa2 by Moody's is required under the Regulations to pay and remit to the Issuer amounts charged to the IESO by the Issuer in respect of its Carrying Costs. Under the Regulations, Carrying Costs include all funding costs, such as interest on the Senior Notes, and other expenses of the Issuer, other than repayment of principal on any debt obligations of the Issuer, including repayment of principal on the Senior Notes.[49] Pursuant to the Master Transfer and Servicing Agreement, on or before the fourth business day of each calendar month, the Issuer will submit a carrying costs statement to the IESO certifying the amount of Carrying Costs estimated to be incurred by the Issuer in the following month. On or before the 14th business day following receipt of the Issuer's carry costs statement, the IESO is required to deliver the amount specified therein to the Issuer. The IESO has a $2 billion unsecured credit facility provided by the Ontario Financing Authority, expiring ■, 20■, which is permitted to be used to pay the Issuer's Carrying Costs.

As security for the performance of its obligation to pay the Issuer's Carrying Costs, the IESO has granted the Issuer a first-priority security interest in all of its accounts receivable, which includes the amounts receivable by the IESO with respect to the global adjustment charge. The amounts paid by the IESO to fund these Carrying Costs will be recorded by the IESO in a variance account and form part of the Regulatory Asset which is expected to be offered by the IESO for transfer to the Issuer in a subsequent period and, upon completion of such transfer, shall become part of the Issuer's Investment Interest pursuant to the Regulations.

[48] **Note:** Please confirm.

[49] **Note:** Consider a description of "carrying costs" that conforms to the definition set out in Section 9.1(3) of the General Regulation. Also note that the Glossary defines "Carrying Costs" as having the meaning ascribed to the term in the Regulations.

As security for any failure of Non-Investment Grade Rated Electricity Vendors to remit Clean Energy Adjustment amounts collected under the FHPA, the IESO is required, pursuant to the Master Transfer and Servicing Agreement, to provide to the Issuer on or prior to the first day of the first billing period when the Clean Energy Adjustment is being invoiced to Specified Consumers, a letter of credit from a provider that satisfies the Rating Agency Condition or a performance guarantee or such other form of security that is acceptable to the Issuer and that satisfies the Rating Agency Condition. A "**Non-Investment Grade Rated Electricity Vendor**" means any Electricity Vendor that does not have a rating of: (i) "Baa3" or higher by Moody's, unless otherwise agreed to by Moody's; and (ii) "BBB(low)" or higher by DBRS, unless otherwise agreed to by DBRS.

The amount of security required from the IESO will be calculated on an annual basis and will be equal to the amount determined by the following formula:

((A / B) x C x D / 365 x E)

where A, B, C, D and E are as follows:

A = for the most recently completed twelve-month period, the aggregate amount of energy consumed by Specified Consumers of all Non-Investment Grade Rated Electricity Vendors.

B = for the same twelve-month period used for A, the aggregate amount of energy consumed by all Specified Consumers.

C = for the most current twelve-month forecast period available, the Clean Energy Adjustment amounts estimated to be payable by all Specified Consumers.

D = 45, representing the estimated number of days that total Clean Energy Adjustment amounts are expected to be held by Electricity Vendors.

E = 0.50 or another value as mutually agreed to in writing by the Issuer and the IESO and that satisfies the Rating Agency Condition.

The Master Transfer and Servicing Agreement sets out specific servicer defaults. Upon the occurrence of a servicer default, the Issuer will be entitled to appoint a replacement servicer that will perform the IESO's duties as servicer under the Master Transfer and Servicing Agreement. Any replacement servicer must be permitted under the FHPA to perform the duties of servicer, the Rating Agency Condition must be satisfied and the replacement servicer must enter into a master transfer and servicing agreement with the Issuer having substantially the same terms as the Master Transfer and Servicing Agreement.

The IESO has agreed to indemnify the Issuer for any losses incurred by the Issuer as a result of the failure of the IESO to perform its obligations under the Master Transfer and Servicing Agreement or any other Program Agreement to which it is a party or the breach by the IESO of any of its representations or warranties under the Master Transfer and Servicing Agreement or any other Program Agreement to which the IESO is a party, except to the extent such losses result from the willful misconduct, bad faith or gross negligence of the Issuer. Notwithstanding the foregoing, the IESO is not obligated to indemnify the Issuer under the Master Transfer and Servicing Agreement for any losses resulting from: (i) a breach or failure to perform by a third party under any Program Agreement, the FHPA or the Regulations (excluding any delegation by the IESO under the Master Transfer and Servicing Agreement to a third party); (ii) changes in law, (iii) the collectability or sufficiency of the Clean Energy Adjustment to satisfy the Issuer's Funding Obligations, including the Senior Notes; or (iv) any liability of the Issuer incurred after termination of the Master Transfer and Servicing Agreement unless attributable to the actions or omissions of the IESO prior to such termination or in respect of a representation, warranty or covenant that survives such termination.

CREDIT RATINGS

Credit ratings are intended to provide investors with an independent measure of the credit quality of securities and are indicators of the likelihood of the payment capacity and willingness of an issuer to meet its financial commitment on an obligation in accordance with the terms of such obligation. The credit ratings accorded to the Senior Notes are not recommendations to purchase, hold or sell such securities inasmuch as such ratings are not a comment upon the market price of the securities or their suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

The Term Sheet for each Offering will identify the rating of the applicable Senior Notes at the time of such Offering.

RATING AGENCY CONDITION

The Program Agreements provide that certain actions are subject to the "**Rating Agency Condition**". In each such case, satisfaction of the Rating Agency Condition requires: (a) that the Issuer has delivered written notice of the proposed action to the Rating Agencies at least ten business days prior to the effective date of such action; and (b) that the Rating Agencies shall have informed the Issuer prior to the effective date of such action that such action will not result in the reduction or withdrawal of the rating in effect with respect to the Notes immediately before the taking of such action. If the Rating Agency Condition is to be satisfied without specifying one or more specific Series or Tranches of Notes, the Rating Agency Condition must be satisfied with respect to all outstanding Series or Tranches of Notes.

CAPITAL MARKETS PLATFORM

The Financial Services Manager has developed a Financing Plan for the Issuer which encompasses an ongoing program which allows for the issuance of a variety of short and long term debt, as well as interest rate and currency swaps and other hedging instruments.

The Master Trust Indenture establishes common security and a set of common covenants given by the Issuer for the benefit of all of its creditors. Notes are issued under Supplemental Indentures and in certain cases, Terms Documents. Borrowings are incurred pursuant to liquidity agreements or loan agreements. Notes and Borrowings incurred by the Issuer are Issuer Funding Obligations. Each Issuer Funding Obligation will be part of a Class and Series of Issuer Funding Obligations, and may include one or more Tranches. A Class designation determines the relative seniority for receipt of cash flows. See *"— Subordination Provisions"*, "*— Payment Waterfalls Prior to Acceleration*" and "*— Acceleration and Remedies — Payment Waterfall Upon Acceleration*". Tranches of Issuer Funding Obligations may differ from each other as to the interest rate, maturity and the timing, sequential order and amount of payments of principal or interest, or both.

The following summary of the principal provisions contained in the Master Trust Indenture does not purport to be comprehensive or definitive. This overview summarizes certain provisions of the Master Trust Indenture and omits descriptions of many provisions which may be considered to be of a customary nature. All references in this confidential shelf offering memorandum to the Master Trust Indenture are qualified in their entirety by reference to the Master Trust Indenture and the detailed provisions thereof. The Master Trust Indenture may be reviewed at the principal office of the Issuer Trustee in Toronto, Ontario during normal business hours while any Notes are outstanding.

Indenture Trustee

BNY Trust Company of Canada, a trust company governed by the laws of Canada, is the Indenture Trustee under the Master Trust Indenture.

Under the terms of the Master Trust Indenture, the Issuer has agreed to pay the Indenture Trustee reasonable compensation for the performance of its duties under the Master Trust Indenture. The Indenture Trustee

has agreed to perform only those duties expressly set forth in the Master Trust Indenture. Many of the duties of the Indenture Trustee are described throughout this confidential shelf offering memorandum. Under the terms of the Master Trust Indenture, the Indenture Trustee's limited responsibilities include the following:

- to authenticate, deliver, cancel and otherwise administer the Notes;
- to serve as the registrar in respect of the Notes;
- to establish and maintain all Issuer Accounts and to maintain accurate records of activity in those accounts;
- to serve as the Paying Agent and distribute and transfer funds at the direction of the Manager in accordance with the terms of the Master Trust Indenture;
- to invest funds in the Issuer Accounts at the direction of the Manager (or its agent);
- to deliver to Specified Creditors notice of any Default, Event of Default, Acceleration Event, Protection Event or Servicer Default of which it has received notice, as required under the Master Trust Indenture; and
- to perform certain other administrative functions identified in the Master Trust Indenture.

In the exercise of its duties, the Indenture Trustee will use the same degree of care and skill as a reasonably prudent person would use in comparable circumstances. When all Issuer Funding Obligations have been satisfied and discharged (see "*— Satisfaction and Discharge*"), the Indenture Trustee will no longer act as Indenture Trustee and will have no fiduciary responsibilities to any remaining Specified Creditors and will act only as security agent for those remaining Specified Creditors. The Indenture Trustee is not liable for any errors of judgment as long as the errors are made in good faith and the Indenture Trustee was not negligent. Furthermore, the Indenture Trustee will not be liable for any action taken or not taken by it in good faith if directed to do so by Extraordinary Resolution. The Indenture Trustee is not required to expend or risk its own funds, or incur any financial liability in the exercise of its duties under the Master Trust Indenture and it will not be obliged to exercise any of its rights under the Master Trust Indenture at the request of any Controlling Class Creditor unless such Controlling Class Creditor has provided it with security or an indemnity reasonably satisfactory to it.

In addition to the Indenture Trustee's compensation and the reimbursement of the Indenture Trustee's expenses in connection with the Master Trust Indenture, the Issuer will indemnify the Indenture Trustee for any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the administration of the trusts under the Master Trust Indenture. The payment of all such amounts will be subject to the payment waterfalls set out in the Master Trust Indenture and in certain instances, such amounts will be higher in priority than payments to Noteholders. See "*— Payment Waterfalls Prior to Acceleration — Collection Account*", "*— Payment Waterfalls Prior to Acceleration — Protection Account*" and "*— Acceleration and Remedies — Payment Waterfall Upon Acceleration*".

The Indenture Trustee may resign at any time by giving written notice to the Issuer and it may be removed for any reason by Ordinary Resolution of Controlling Class Creditors. The Indenture Trustee must resign if a material conflict of interest arises in its role as an Indenture Trustee under the Master Trust Indenture and such conflict of interest is not eliminated within 90 days after the Indenture Trustee becomes aware of such material conflict of interest. The Issuer may remove, or any Controlling Class Creditor who has been a *bona fide* Controlling Class Creditor for at least six months may, on behalf of itself and all other Debtholders, petition any court of competent jurisdiction for the removal of the Indenture Trustee if (i) the Indenture Trustee is no longer eligible to act as trustee under the Master Trust Indenture (and any Supplemental Indenture) and fails to resign after it has received a written request to do so by the Issuer or by any Controlling Class Creditor, (ii) the Indenture Trustee becomes incapable of acting, or (iii) the Indenture Trustee becomes subject to any bankruptcy or insolvency related events. In all such circumstances, the Issuer must appoint a successor Indenture Trustee. Any resignation or removal of the Indenture Trustee and appointment of a successor Indenture Trustee will not become effective until the successor

Indenture Trustee accepts the appointment. If an instrument of acceptance by a successor Indenture Trustee has not been delivered to the Indenture Trustee within 30 days of giving notice of resignation or removal, the Indenture Trustee may petition a court of competent jurisdiction to appoint a successor Indenture Trustee.

Any successor Indenture Trustee will execute and deliver to the Issuer and its predecessor Indenture Trustee an instrument accepting such appointment. The successor Indenture Trustee must be a bank, a trust company or a corporation organized and doing business under the laws of Canada or of any province or territory thereof, authorized under such laws to carry on a trust business in each of the provinces and territories of Canada. The Issuer may not, nor may any person directly or indirectly controlling, controlled by, or under common control with the Issuer, serve as Indenture Trustee.

The Indenture Trustee may become the owner or pledgee of Notes and may otherwise deal with the Issuer with the same rights it would have if it were not the Indenture Trustee (subject to its obligation to resign if there is a material conflict).

Conditions Precedent to Incurrence of Obligations Secured

There is no limit on the aggregate amount of indebtedness or other obligations which may be secured under the Master Trust Indenture. However, the Issuer will not be permitted to incur any Issuer Funding Obligations or other obligations unless the Issuer meets the conditions described below under *"— Issuer Funding Obligations"* and *"— Other Obligations Secured"*.

Issuer Funding Obligations

The Issuer may not incur any new Issuer Funding Obligations, or renew or extend any existing Issuer Funding Obligations (in each case, other than Derivative Funding Obligations), unless the conditions described below are met on or prior to the date that the Issuer enters into a definitive agreement in respect of such Issuer Funding Obligations:

(a) the Issuer delivers to the Indenture Trustee and each Rating Agency notice of such incurrence;

(b) the Issuer delivers to the Indenture Trustee and each Rating Agency a certificate to the effect that:

(i) the Issuer reasonably believes that such incurrence will not cause an Adverse Effect; an "**Adverse Effect**" means that such action will at the time of its occurrence (a) result in the occurrence of an Event of Default or any event which with the giving of notice or passage of time, or both, would become an Event of Default, (b) adversely affect the amount or timing of any payment to be made to any Debtholder or Derivative Counterparty pursuant to the Master Trust Indenture or any Program Agreement, (c) materially adversely affect the amount or timing of payments to be made to the Specified Creditors (other than Debtholders and Derivative Counterparties) pursuant to this Indenture or any Program Agreement, or (d) adversely affect the security interest and the rights and remedies of the Indenture Trustee in respect thereof;

(ii) all instruments furnished to the Indenture Trustee conform to the requirements of the Master Trust Indenture and constitute sufficient authority under the Master Trust Indenture for the Indenture Trustee to (A) in the case of an issuance of Notes only, authenticate and deliver such Notes, and (B) in the case of all other Issuer Funding Obligations, execute and deliver the applicable Funding Obligation Agreement;

(iii) in the case of an issuance of Notes only, the form and terms of the Notes have been established in conformity with the provisions of the Master Trust Indenture;

(iv) the incurrence of such Issuer Funding Obligation is consistent in all material respects with the Financing Plan; see *"Ontario Fair Hydro Plan — Fair Allocation Amount and Financing Plan"*;

(v) the conditions set out in clauses (c), (d), (g) and (k) below are met; and

(vi) such other matters as the Indenture Trustee may reasonably request;

(c) the representations and warranties of the Issuer in the Master Trust Indenture are true and correct in all material respects;

(d) the Rating Agency Condition is satisfied with respect to all outstanding Series or Tranches of Issuer Funding Obligations;

(e) the Indenture Trustee receives either:

(i) a certified copy of the instrument whereby the Province of Ontario designated in writing that such Issuer Funding Obligation is an Approved Obligation as contemplated by the Change of Law Protection Agreement; or

(ii) both (A) an Adherence Compliance Certificate addressed to the Indenture Trustee with respect to such Issuer Funding Obligation delivered in accordance with the Change of Law Protection Agreement; and (B) a certificate signed by the Manager certifying that the Province of Ontario has not provided a Suspension Notice;

(f) the Issuer delivers to the Indenture Trustee copies of the applicable Funding Obligation Agreement, including in the case of Notes, a Supplemental Indenture relating to the applicable Series or Tranche of Notes and, if applicable, a Terms Document relating to the applicable Tranche of Notes;

(g) in the case of Senior Funding Obligations only, the Issuer has Subordinated Funding Obligations and Junior Subordinated Funding Obligations in an aggregate outstanding principal amount equal to not less than 35% of the aggregate outstanding principal amount of the aggregate Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations (after giving effect to such incurrence) and in the case of Subordinated Funding Obligations only, the Issuer has Junior Subordinated Funding Obligations in an aggregate outstanding principal amount equal to not less than 10% of the aggregate outstanding principal amount of the aggregate Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations (after giving effect to such incurrence);

(h) except in the case of Notes, the Issuer delivers to the Indenture Trustee an updated list of the Specified Creditors;

(i) each Debtholder in respect of such Issuer Funding Obligation (or an authorized agent on their behalf) has made the acknowledgements and agreements described below under "— *Acknowledgements of Specified Creditors*";

(j) the Change of Law Protection Agreement is in full force and effect against the Province of Ontario or has been replaced with a new agreement that is in form and substance satisfactory to Controlling Class Creditors pursuant to an Ordinary Resolution;

(k) the conditions precedent, if any, specified in the applicable Funding Obligation Agreement are satisfied; and

(l) in the case of an issuance of Notes only:

(i) the Indenture Trustee receives a certificate for the certification and delivery of the Notes and specifying the particulars relating to such Notes;

(ii) in the case of Notes described in section 163(f)(2)(A) of the United States Internal Revenue Code of 1986, if such Notes are not in registered form (including by reason of a book entry system described in section 163(f) of the United States Internal Revenue Code of 1986), then such Notes are described in section 4701(b)(1)(B) of the United States Internal Revenue Code of 1986 and such section will apply to such Notes; and

(iii) in the case of foreign currency Notes, the Issuer appoints one or more Paying Agents in the appropriate countries, if requested by the Indenture Trustee.

Periodic drawdowns under existing Funding Obligation Agreements will not constitute a new incurrence of Issuer Funding Obligations. However, an increase in the aggregate commitment under an existing Funding Obligation Agreement or the issuance of additional Notes of an outstanding Series or Tranche of Notes will constitute a new incurrence of Issuer Funding Obligations.

The Indenture Trustee is not required to and, except as otherwise provided in a Funding Obligation Agreement, the Issuer is not required to, provide prior notice to or obtain the consent of any Debtholder or any other Specified Creditor to issue any Issuer Funding Obligations.

Other Obligations Secured

The Issuer may incur other obligations (including Derivative Funding Obligations) so long as:

(a) the Issuer delivers to the Indenture Trustee a copy of the agreement giving rise to such obligations;

(b) the Issuer delivers to the Indenture Trustee an updated list of the Specified Creditors;

(c) the counterparty to the agreement giving rise to such obligations makes the acknowledgements and agreements described below under "— *Acknowledgements of Specified Creditors*";

(d) if the obligations are Certified Primary Obligations, the Indenture Trustee receives either:

(i) a certified copy of the instrument whereby the Province of Ontario designated in writing that such obligation is an Approved Obligation as contemplated by the Change of Law Protection Agreement; or

(ii) both (A) an Adherence Compliance Certificate addressed to the Indenture Trustee with respect to such obligation delivered in accordance with the Change of Law Protection Agreement; and (B) a certificate signed by the Manager certifying that the Province of Ontario has not provided a Suspension Notice;

provided that, in respect of derivative agreements, the Issuer will provide notice to each Rating Agency of the identity of the Derivative Counterparty and the terms of any applicable master agreement and schedule.

Derivative Agreements

The Issuer may, from time to time, enter into one or more derivative agreements, which would consist of a currency swap or interest rate swap, a cap (obligating a Derivative Counterparty to make payments if a reference rate is greater than a specified rate), a floor (obligating a Derivative Counterparty to make payments if a reference rate is less than a specified rate), or a collar (obligating a Derivative Counterparty to make payments if a reference rate is greater than a specified rate and entitling the Derivative Counterparty to receive payments if the same reference rate is less than a lower specified rate), with various counterparties. In general, the Issuer will receive payments from the

Derivative Counterparty in exchange for the Issuer's payments to them, to the extent required under the derivative agreements. Payments received by the Issuer will constitute Available Collections.

Acknowledgements of Specified Creditors

Each Specified Creditor must acknowledge and agree in favour of the Indenture Trustee that it is a Specified Creditor under the Master Trust Indenture and that its entitlements as a Specified Creditor are subject to the provisions applicable to Specified Creditors under the Master Trust Indenture including, without limitation, those described under "*— Indenture Trustee*", "*— Payment Waterfalls Prior to Acceleration*", "*— Debtholder Approvals and Meetings — Access to Debtholder Lists*", "*— Acceleration and Remedies — Payment Waterfall Upon Acceleration*", "*— Acceleration and Remedies — Rights of Specified Creditors*", "*— Acceleration and Remedies — Limited Recourse*" and "*— Acceleration and Remedies — No Petition*".

Subordination Provisions

Under the Master Trust Indenture, the Issuer can issue the following classes of Issuer Funding Obligations: "Senior Funding Obligations", "Subordinated Funding Obligations" or "Junior Subordinated Funding Obligations" (each, a "**Class**"). The payment of interest on Subordinated Funding Obligations shall be subordinate and rank junior to the payment of interest on Senior Funding Obligations and Derivative Funding Obligations. The payment of interest on Junior Subordinated Funding Obligations shall be subordinate and rank junior to the payment of interest on Senior Funding Obligations, Derivative Funding Obligations and Subordinated Funding Obligations. The payment of principal on Subordinated Funding Obligations shall be subordinate and rank junior to the payment of principal on Senior Funding Obligations and Derivative Funding Obligations. The payment of principal on Junior Subordinated Funding Obligations shall be subordinate and rank junior to the payment of principal on Senior Funding Obligations, Derivative Funding Obligations and Subordinated Funding Obligations. In each case, the subordinations are the to the extent and in the manner set forth in the Master Trust Indenture and described under "*— Payment Waterfalls Prior to Acceleration*" and "*— Acceleration and Remedies — Payment Waterfall Upon Acceleration*".

Subject to the applicable payment waterfall, (i) all Senior Funding Obligations will in all respects be equally and ratably entitled to the benefits of the Master Trust Indenture with respect to such Series or Tranche without preference, priority or distinction on account, (ii) all Subordinated Funding Obligations will in all respects be equally and ratably entitled to the benefits of the Master Trust Indenture with respect to such Series or Tranche without preference, priority or distinction and (iii) all Junior Subordinated Funding Obligations of each Series or Tranche will in all respects be equally and ratably entitled to the benefits of the Master Trust Indenture with respect to such Series or Tranche without preference, priority or distinction, in each case, except as set out in a related Funding Obligation Agreement.

Security

To secure the payment of all Obligations Secured, including principal of and interest on the Issuer Funding Obligations, the Issuer has granted to the Indenture Trustee a security interest in all of its right, title and interest (whether now owned or hereafter acquired or arising) in and to the following property: (i) the Investment Interest acquired by the Issuer; (ii) each Issuer Account (including all sub-accounts); (iii) all Eligible Investments and all investment property, money and other property held in any Issuer Accounts (including all sub-accounts); (iv) all rights, benefits and powers of the Issuer under any Program Agreement; (v) all rights, benefits and powers of the Issuer under the FHPA; (vi) all present and future claims, demands, causes of and choses in action in respect of any of the foregoing and all interest, principal, payments and distributions of any nature or type on any of the foregoing; (vii) all accounts, general intangibles, chattel paper, instruments, documents, goods, money, investment property, deposit accounts, letters of credit and letter-of-credit rights consisting of, arising from, or relating to any of the foregoing; (viii) all debts, accounts, claims, monies and choses in action due or to become due with respect to all of the foregoing and also all securities, bills, notes, evidences of deposits of money, and other documents now held or owned or which may be hereafter taken, held or owned by the Issuer, or anyone on behalf of the Issuer, and all renewals thereof, accretions thereto, substitutions therefor and all interest, income and revenue arising therefrom or

by virtue thereof; (ix) all amounts received with respect to all of the foregoing; and (x) all proceeds of the foregoing (collectively, the "**Collateral**").[50]

Issuer Accounts

Pursuant to the Master Trust Indenture, the Issuer will establish various accounts ("**Issuer Accounts**") – Program Accounts, Series Accounts and Securities Accounts. Each Issuer Account will be under the sole dominion and exclusive control of the Indenture Trustee. Each Program Account and each Series Account will be established as a segregated trust account with an Eligible Institution (an "**Eligible Deposit Account**"). If the institution holding any Program Account or Series Account ceases to be an Eligible Institution, the Issuer will establish a new Program Account or Series Account that is an Eligible Deposit Account and transfer any funds or other property from such existing Program Account or Series Account to such new Program Account or Series Account. Each Securities Account will be established as a segregated securities trust account with an affiliate of an Eligible Institution, which affiliate is licensed to maintain securities accounts (an "**Eligible Securities Account**"). If the institution holding any Securities Account ceases to be an affiliate of an Eligible Institution, the Issuer will establish a new Securities Account that is an Eligible Securities Account and transfer any funds or other property from such existing Securities Account to such new Securities Account. The Indenture Trustee has no obligation to reconcile any Issuer Account against another Issuer Accounts or against the Program Agreements.

Program Accounts

Collection Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Collection Account**"). The Indenture Trustee will hold the Collection Account for the benefit of the Indenture Trustee and the Specified Creditors. All Available Collections received by the Issuer will be credited to the Collection Account. "**Available Collections**" means: (i) all amounts received by the Servicer in respect of the Clean Energy Adjustment from Specified Consumers, (ii) IESO Carrying Cost payments (other than the IESO Cash Reserve Deposit Amount); and (iii) amounts received by the Issuer pursuant to derivative agreements. See *"Ontario Fair Hydro Plan"* and *"The Transferor and Servicer"*.

Interest Accumulation Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Interest Accumulation Account**"). The Indenture Trustee will hold the Interest Accumulation Account for the benefit of the Indenture Trustee and the Specified Creditors. The Interest Accumulation Account has been established for the purposes of pre-funding, collateralizing, over-collateralizing or establishing reserves for the payment of interest in respect of all Issuer Funding Obligations.

Principal Accumulation Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Principal Accumulation Account**"). The Indenture Trustee will hold the Principal Accumulation Account for the benefit of the Indenture Trustee and the Specified Creditors. The Principal Accumulation Account has been established for the purpose of accumulating funds to be used to make repayments in respect of all Issuer Funding Obligations.

IESO Cash Reserve Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**IESO Cash Reserve Account**"). The Indenture Trustee will hold the IESO Cash Reserve Account for the benefit of the Indenture Trustee and the Specified Creditors. The Issuer will deposit the

[50] **Note:** Consider also including the floating charge in all of the property, assets and undertaking now owned or hereafter acquired by the Issuer in the definition of Collateral. (s. 2.01(b) of the Master Trust Indenture).

IESO Cash Reserve Deposit Amount in the IESO Cash Reserve Account on the earlier of (x) April 30, 2021, and (y) the receipt by the Issuer of the IESO Cash Reserve Deposit Amount from the IESO.

Program Cash Reserve Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Program Cash Reserve Account**"). The Indenture Trustee will hold the Program Cash Reserve Account for the benefit of the Indenture Trustee and the Specified Creditors. The Issuer will deposit the Program Cash Reserve Required Amount in the Program Cash Reserve Account during the Reference Period commencing May 1, 2021 pursuant to the application of amounts available therefor under the Collection Account Waterfall.

Refinancing Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Refinancing Account**"). The Indenture Trustee will hold the Refinancing Account for the benefit of the Indenture Trustee and the Specified Creditors. All proceeds arising from Notes and Borrowings related to Refinancings will be credited to the Refinancing Account.

Protection Account

Pursuant to the Master Trust Indenture, before the making of any demand for payment under the Change of Law Protection Agreement, the Issuer will establish an Eligible Deposit Account in the name of the Indenture Trustee (the "**Protection Account**"). The Indenture Trustee will hold the Protection Account for the benefit of the Indenture Trustee and the Specified Creditors. On the occurrence of a Protection Event and a written payment demand from the Indenture Trustee to the Province of Ontario, all payments received from the Province of Ontario under the Change of Law Protection Agreement will be credited to the Protection Account.

Series Accounts

Series Capital Reserve Account

In connection with the creation of a Series of Issuer Funding Obligations, the Issuer may establish an Eligible Deposit Account in the name of the Indenture Trustee (a "**Series Capital Reserve Account**"). The Indenture Trustee will hold each Series Capital Reserve Account for the benefit of the Indenture Trustee and the applicable Debtholders or Derivative Counterparties. A Series Capital Reserve Account may be established for the sole purpose of allowing the Issuer to accumulate funds to be used to make repayments in respect of a Series of Issuer Funding Obligations. Details of any period of accumulation and the amounts to be accumulated will be specified in the applicable Funding Obligation Agreement.

Series Finance Reserve Account

In connection with the creation of a Series of Issuer Funding Obligations, the Issuer may establish an Eligible Deposit Account in the name of the Indenture Trustee (a "**Series Finance Reserve Account**"). The Series Finance Reserve Account will be under the sole dominion and exclusive control of the Indenture Trustee. The Indenture Trustee will hold each Series Finance Reserve Account for the benefit of the applicable Debtholders or Derivative Counterparties. A Series Finance Reserve Account may be established for the sole purpose of allowing the Issuer to reserve funds to pay finance charges for a Series of Issuer Funding Obligations. Details of any reserve requirements will be specified in the applicable Funding Obligation Agreement.

Securities Accounts

In connection with the establishment of any Program Account (other than the Protection Account) or Series Account, the Issuer may establish an Eligible Securities Account in the name of the Indenture Trustee (a "**Securities Account**"). The Indenture Trustee will hold each Securities Account for the benefit of the applicable Specified

Creditors. A Securities Account may be established for the purpose of allowing the Issuer to invest funds held in any Program Account or Series Account in Eligible Investments. Each Securities Account may relate to only one Program Account or Series Account. Funds in each Program Account and Series Account will be invested in Eligible Investments at the direction of the Manager using the associated Securities Account. Additionally, neither the Indenture Trustee nor the Manager will be responsible for any losses incurred in the investment of any funds in any Eligible Investments and any insufficiency in an Issuer Account resulting from any loss on Eligible Investments.

Credit Enhancement Agreements and Liquidity Agreements

A Series or Tranche of Issuer Funding Obligations may have the benefit of one or more additional forms of credit enhancement—referred to herein as credit enhancement agreements—such as a letter of credit, surety bond or loan facility. In addition, a Series or Tranche of Notes may have the benefit of one or more forms of liquidity agreements—referred to herein as liquidity agreements—such as a liquidity facility. Whether a Series or Tranche of Issuer Funding Obligations has the benefit of a credit enhancement agreement or a liquidity agreement, including how any payments made pursuant to such agreement will be applied, will be set out in the applicable Funding Obligation Agreement and the related Term Sheet (where applicable).

Payment Waterfalls Prior to Acceleration

All amounts received by the Issuer and all amounts to be paid by the Issuer from a Program Account or Series Account will be made in accordance with the payment waterfalls described below. All payments or transfers described in the sections below will be made by the Paying Agent based on payment instructions provided by the Manager. See "*— Covenants of the Issuer — Payment Instructions*".

Collection Account

Subject to the paragraph below, on each Payment Date (after giving effect to the distributions described in the first paragraph under "*— IESO Cash Reserve Account*"), all amounts on deposit in the Collection Account will be distributed in the following order of priority (*pro rata* in proportion to the claims represented by each paragraph below except as otherwise noted) (the "**Collection Account Waterfall**"):

(a) first, to the payment or remittance of taxes for which a governmental authority is given priority over the Specified Creditors under the laws of the applicable jurisdiction;

(b) second, to pay fees, expenses and reimbursement amounts owing to the Issuer Trustee and the Indenture Trustee up to a maximum aggregate amount equal to (i) $150,000, multiplied by (ii) the number of Series of Senior Funding Obligations outstanding on such Payment Date, divided by (iii) 12;

(c) third, *pari passu* (i) to transfer to the Interest Accumulation Account, the Interest Accrual Amount (Senior) for such Payment Date, and (ii) to pay all Derivative Funding Obligations (other than termination payments);

(d) fourth, to transfer to the Interest Accumulation Account, the Interest Accrual Amount (Subordinated) for such Payment Date;

(e) fifth, to transfer to the Interest Accumulation Account, the Interest Accrual Amount (Junior Subordinated) for such Payment Date;

(f) sixth, to transfer to the Principal Accumulation Account, the Principal Accumulation Amount (Warehouse) for such Payment Date;

(g) seventh, *pari passu* (i) to transfer to the Principal Accumulation Account, the Principal Accumulation Amount (Senior) for such Payment Date, and (ii) to pay termination payments

owing to Derivative Counterparties where the Derivative Counterparty is not the defaulting party or the sole affected party;

(h) eighth, to pay all fees and other amounts (other than principal or interest) owing in respect of Senior Funding Obligations;

(i) ninth, to pay fees, expenses and reimbursement amounts owing to the Manager;

(j) tenth, to transfer to the Principal Accumulation Account, the Principal Accumulation Amount (Subordinated) for such Payment Date;

(k) eleventh, to pay all fees and other amounts (other than principal or interest) owing in respect of Subordinated Funding Obligations;

(l) twelfth, to transfer to the Principal Accumulation Account, the Principal Accumulation Amount (Junior Subordinated) for such Payment Date;

(m) thirteenth, to transfer to the Program Cash Reserve Account, the amount, if any, by which the amount on deposit in the Program Cash Reserve Account is less than the Program Cash Reserve Required Amount;

(n) fourteenth, to transfer to any Series Account (other than any Series Account related solely to Subordinated Funding Obligations or Junior Subordinated Funding Obligations), the amount required to replenish such Series Account as required by any related Funding Obligation Agreement;

(o) fifteenth, to transfer to any Series Account related solely to Subordinated Funding Obligations, the amount required to replenish such Series Account as required by any related Funding Obligation Agreement;

(p) sixteenth, to pay all fees and other amounts (other than principal or interest) owing in respect of Junior Subordinated Funding Obligations;

(q) seventeenth, to transfer to any Series Account related solely to Junior Subordinated Funding Obligations, the amount required to replenish such Series Account as required by any related Funding Obligation Agreement;

(r) eighteenth, to pay termination payments owing to Derivative Counterparties where the Derivative Counterparty is the defaulting party or the sole affected party;

(s) nineteenth, to pay the amount required pursuant to the Declaration of Trust to the Issuer Trustee for the account of the beneficiaries of the Issuer;

(t) twentieth, to pay all indemnity amounts owing to the Manager;

(u) twenty-first, *pari passu* (i) to pay fees, expenses, reimbursement and indemnity amounts owing to the Issuer Trustee and the Indenture Trustee not previously paid pursuant to paragraph (b), (ii) to the payment or remittance of taxes not previously paid pursuant to paragraph (a), and (iii) to pay all amounts owing to Specified Creditors not specifically referred to above; in each case, including, for each referenced party, any amounts payable to their respective affiliates under the terms of any relevant indemnity; and

(v) twenty-second, any amounts remaining (i) to be held in the Collection Account for distribution in the above order of priority on the next Payment Date; or (ii) after all Issuer Funding Obligations

have been paid in full and discharged, and all other amounts have been paid in full, to pay to the Issuer.

Notwithstanding the foregoing, (i) the transfer of any amounts deposited by the IESO into the Collection Account on account of the IESO Cash Reserve Deposit Amount to the IESO Cash Reserve Account, and (ii) the transfer of any amounts deposited in the Collection Account on account of one-time transaction costs and expenses in connection with the incurrence of Issuer Funding Obligations on or within three business days of the closing date of such transaction, will, in each case, be made without reserving for or paying amounts which are senior in priority to such obligation under the Collection Account Waterfall.

Interest Accumulation Account

On each Interest Payment Date, the Paying Agent will distribute all amounts on deposit in the Interest Accumulation Account in the following order of priority (*pro rata* in proportion to the claims represented by each paragraph below except as otherwise noted):

(a) first, to pay all interest that is due and payable on Senior Funding Obligations on such Interest Payment Date;

(b) second, to pay all interest that is due and payable on Subordinated Funding Obligations on such Interest Payment Date, so long as after making this payment, the amount remaining on deposit in the Interest Accumulation Account at least equals the amount of accrued and unpaid interest on Senior Funding Obligations as of such Interest Payment Date; and

(c) third, to pay all interest that is due and payable on Junior Subordinated Funding Obligations on such Interest Payment Date, so long as after making this payment, the amount remaining in the Interest Accumulation Account at least equals the amount of accrued and unpaid interest on Senior Funding Obligations and Subordinated Funding Obligations as of such Interest Payment Date.

Any amounts remaining after the applications referred to above: (i) to be held in the Interest Accumulation Account for distribution in the above order of priority on the next Interest Payment Date; or (ii) after all Issuer Funding Obligations have been paid in full, to be transferred to the Collection Account.

Principal Accumulation Account

On each Interest Payment Date (after making the applications provided for in the waterfall under "—*Interest Accumulation Account*"), if any interest that is due and payable on Senior Funding Obligations, Subordinated Funding Obligations or Junior Subordinated Funding Obligations has not been paid, an amount equal to such deficiency will be withdrawn from the Principal Accumulation Account and applied to the payment of interest due and payable on such Interest Payment Date, provided that if the amount to be applied pursuant to this paragraph is insufficient to pay all such interest, the application of such amounts will be made first to Senior Funding Obligations, then to Subordinated Funding Obligations, and finally to Junior Subordinated Funding Obligations, in each case, on a *pro rata* basis.

On each Principal Payment Date (after making the applications provided for in the previous paragraph), the Paying Agent will distribute all amounts on deposit in the Principal Accumulation Account in the following order of priority (*pro rata* in proportion to the claims represented by each paragraph below except as otherwise noted):

(a) first, to pay all principal that is due and payable on Warehouse Obligations on such Principal Payment Date;

(b) second, to pay all principal that is due and payable on Senior Funding Obligations (other than Warehouse Obligations) on such Principal Payment Date;

(c) third, to pay all principal that is due and payable on Subordinated Funding Obligations on such Principal Payment Date, so long as after making this payment, the amount remaining in the Principal Accumulation Account at least equals the Required Principal Accumulation Amount (Senior) as of such Principal Payment Date; and

(d) fourth, to pay all principal that is due and payable on Junior Subordinated Funding Obligations on such Principal Payment Date, so long as after making this payment, the amount remaining in the Principal Accumulation Account at least equals the sum of the Required Principal Accumulation Amount (Senior) and the Required Principal Accumulation Amount (Subordinated) as of such Principal Payment Date.

Any amounts remaining after the applications referred to above: (i) to be held in the Principal Accumulation Account for distribution in the above order of priority on the next Interest Payment Date or Principal Payment Date; or (ii) after all Issuer Funding Obligations have been paid in full, to be transferred to the Collection Account.

IESO Cash Reserve Account

On each Payment Date beginning in November, 2021, an amount equal to the lesser of (i) the amounts to be paid or transferred pursuant to items (a) through (e) of the Collection Account Waterfall, and (ii) the amount, if any, by which the amount on deposit in the IESO Cash Reserve Account exceeds the IESO Cash Reserve Required Amount will be withdrawn from the IESO Cash Reserve Account and applied to the making of such payments or transfers in the order provided for in the Collection Account Waterfall.

On each Payment Date, if the amounts available for distribution from the Collection Account and from the preceding sentence are insufficient to pay or transfer items (a) through (e) of the Collection Account Waterfall, an amount equal to such deficiency will be withdrawn from the IESO Cash Reserve Account and applied to the making of such payments or transfers in the order provided for in the Collection Account Waterfall. Once all funds in the IESO Cash Reserve Account have been paid out, the IESO Cash Reserve Account will be closed.

Program Cash Reserve Account

If, on any Payment Date, the amount on deposit in the Interest Accumulation Account is less than the sum of the Interest Accrual Amount (Senior), the Interest Accrual Amount (Subordinated) and the Interest Accrual Amount (Junior Subordinated), an amount equal to such deficiency will be withdrawn from the Program Cash Reserve Account and deposited in the Interest Accumulation Account.

If, on any Principal Payment Date, the amount available in the Principal Accumulation Account (in accordance with the provisions applicable thereto) is insufficient to pay all principal that is due and payable on Warehouse Obligations, other Senior Funding Obligations, Subordinated Funding Obligations or Junior Subordinated Funding Obligations, as applicable (see "*— Principal Accumulation Account*"), on such Principal Payment Date (after making the applications provided for in the previous paragraph), amounts on deposit in the Program Cash Reserve Account will be used in the following order of priority (*pro rata* in proportion to the claims represented by each paragraph below except as otherwise noted):

(a) first, to pay the deficiency on principal that is due and payable on Warehouse Obligations on such Principal Payment Date;

(b) second, to pay the deficiency on principal that is due and payable on Senior Funding Obligations (other than Warehouse Obligations) on such Principal Payment Date;

(c) third, to pay the deficiency on principal that is due and payable on Subordinated Funding Obligations on such Principal Payment Date; and

(d) fourth, to pay the deficiency on principal that is due and payable on Junior Subordinated Funding Obligations on such Principal Payment Date.

Any amounts remaining after the applications referred to above: (i) to be held in the Program Cash Reserve Account for distribution in the above order of priority on the next Interest Payment Date or Principal Payment Date; or (ii) after all Issuer Funding Obligations have been paid in full, to be transferred to the Collection Account.

Refinancing Account

On each Principal Payment Date, the Paying Agent will transfer from the Refinancing Account to the Principal Accumulation Account the lesser of (i) the amount on deposit in the Refinancing Account, and (ii) the amount by which the sum of the Principal Accumulation Amounts for all Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations on such Principal Payment Date (without reference to any refinancing notice) exceeds the amount on deposit in the Principal Accumulation Account. After all Issuer Funding Obligations have been paid in full, any amounts remaining in the Refinancing Account will be transferred to the Collection Account.

Protection Account

On each date in respect of which the Province of Ontario makes a payment pursuant to the Change of Law Protection Agreement, the Paying Agent will, prior to making any payments under any other payment waterfall, distribute all amounts in the Protection Account solely to satisfy payments in respect of Approved Obligations as set out in the written payment statement delivered by the Manager to the Province of Ontario under the Change of Law Protection Agreement in the order of priority the applicable Obligation Secured has under the applicable payment waterfall.

On the Province of Ontario paying any amount in respect of an Approved Obligation into the Protection Account, the Province of Ontario will be subrogated and entitled to each applicable Specified Creditor's rights and interests under and in respect of the Approved Obligation to the extent of the amounts paid to the Specified Creditor out of the Protection Account, and shall be entitled to the right to be paid the applicable Subrogation Amount, the benefits of the Collateral, and all proceeds therefrom.

Series Accounts

If, after giving effect to payments made on any Payment Date, the amount in the Collection Account is insufficient to make all required payments to Specified Creditors on such date, amounts on deposit in any Series Account may be withdrawn from such Series Account and allocated to the applicable Specified Creditors in accordance with the related Funding Obligation Agreement.

Covenants of the Issuer

Payment of Principal and Interest

The Issuer will duly and punctually pay the principal of and interest due on the Issuer Funding Obligations in the manner specified in the Master Trust Indenture and any related Funding Obligation Agreement.

Use of Proceeds

The Issuer will use the proceeds of such indebtedness solely for: (i) the acquisition by the Issuer of an Investment Interest; (ii) the redemption, repayment or repurchase of any existing Issuer Funding Obligations; (iii) the funding of Issuer Accounts; and (iv) the payment of transaction fees and expenses in connection with the incurrence of Issuer Funding Obligations.

Legal Existence

The Issuer will do or cause to be done all things necessary to preserve its existence and maintain its status as a Financing Entity.

Separateness Covenants

The Issuer will take all reasonable steps to maintain its identity as a distinct entity with assets and liabilities distinct from those of the Manager and any of its affiliates. Such steps include: (i) conducting all transactions with the Manager strictly on an arm's length basis and in good faith; (ii) allocating all overhead expenses for items shared between the Issuer and the Manager on the basis of actual use to the extent practicable; (iii) conducting its affairs strictly in accordance with the Declaration of Trust; (iv) maintaining its books and records separate from those of the Manager or any affiliate thereof; (v) preparing its financial statements separately from those of the Manager and ensuring that any consolidated financial statements of the Manager that include the Issuer have notes clearly stating that the Issuer is a separate entity; (vi) only maintaining bank accounts or other depository accounts to which the Issuer alone is the account party and from which only the Issuer or its agent has the power to make withdrawals; (vii) paying its operating expenses from its own assets (including, reimbursing the Manager for any such expenses); (viii) maintaining its property in such a manner that it is not costly or difficult to segregate, ascertain or otherwise identify its individual assets from or against those of the Manager or any affiliate thereof; and (ix) not becoming liable to any person for any obligations of the Manager or any affiliate thereof.

Performance of Obligations

The Issuer agrees that it will (i) perform and observe all of its obligations and agreements contained in the Master Trust Indenture, the Declaration of Trust, the Master Transfer and Servicing Agreement, the other Program Agreements and in the instruments and agreements relating to the Collateral; (ii) diligently pursue any and all actions to enforce its rights each instrument or agreement included in the Collateral except as expressly provided in any Program Agreement; and (iii) enforce the Servicer's material obligations under the Master Transfer and Servicing Agreement and the Manager's material obligations under the Management Agreement.

Funding Obligations

The Issuer will ensure that all indebtedness is incurred pursuant to and in accordance with the provisions of the Master Trust Indenture, as described under "*— Conditions Precedent to Incurrence of Obligations Secured — Issuer Funding Obligations*". The Issuer will not enter into any Funding Obligation Agreement (other than a Funding Obligation Agreement relating to Warehouse Obligations) that the Manager believes, acting reasonably, would likely require the Issuer to pay principal on such Issuer Funding Obligation by means of a Refinancing (other than a Pre-Approved Refinancing).

Financial Statements; Statement as to Compliance

The Issuer will deliver, or cause to be delivered to the Indenture Trustee and the Rating Agencies: (i) within 140 days after the end of each fiscal year, audited financial statements of the Issuer; (ii) within 90 days after the end of each fiscal quarter (other than the last fiscal quarter of each fiscal year), unaudited financial statements of the Issuer; and (iii) on an annual basis on or before March 31 of each year, a written statement concerning compliance with the conditions and covenants contained in the Master Trust Indenture and confirming that no Default or Event of Default has occurred or if a material Default or Event of Default has occurred, specifying the details thereof.

Payment Instructions

The Issuer will deliver to the Indenture Trustee and the Paying Agent (if the Paying Agent is not the Indenture Trustee) on a monthly basis, a payment instruction in respect of the Collection Account, which instruction shall set out the payments to be made on the following Payment Date and setting forth, among other things, (i) the amount of the payment to Debtholders (including a breakdown of principal and interest), (ii) any other transfers and payments to be made on such Payment Date, including amounts paid to the Indenture Trustee, the Issuer Trustee and the Manager, and (iii) the amounts on deposit in the Collection Account after giving effect to the foregoing payments. Similar payment instructions will also be delivered in respect of each other Program Account and Series Account, as and when payments are to be made from those accounts.

Notice of Certain Events; Protection Event

The Issuer will give the Indenture Trustee and each Rating Agency prompt written notice of (i) each Event of Default, (ii) each breach on the part of the Issuer or the Servicer of its respective obligations under the Master Transfer and Servicing Agreement (including any Servicer Default), (iii) each breach on the part of the Manager of its obligations under the Management Agreement, (iv) any default of the Issuer or a Derivative Counterparty under a derivative agreement, and (v) any Protection Event.

No Other Business

The Issuer will not engage in any activity other than the activities set forth in the Declaration of Trust or the other Program Agreements, the material provisions of which are described in this confidential shelf offering memorandum under "The Issuer".

Amendments to Program Agreements

Unless the Rating Agency Condition is satisfied, the Issuer will not make any material amendments to any Program Agreement (other than the Master Trust Indenture and individual trade confirmations under derivative agreements), or enter into any Co-Owner Agreement. Without limiting the foregoing sentence, the Issuer will not:

(a) enter into any Co-Owner Agreement without the consent of Controlling Class Creditors by Ordinary Resolution;

(b) amend, supplement, modify, restate or replace, or waive or consent to a postponement of compliance with the terms and conditions on the part of any other party to, any of the Program Agreements (other than the Master Trust Indenture, the derivative agreements and the Declaration of Trust) if any such amendment, supplement, modification, restatement or replacement, or waiver or consent, could reasonably be considered to be materially prejudicial to the rights or interests of any Specified Creditor(s), except as expressly permitted by such Specified Creditor(s) and subject to the Province of Ontario having been given prior notice;

(c) consent, if consent is required, to the resignation of the Manager under the Management Agreement; or

(d) amend the Declaration of Trust if such amendment would have or reasonably be expected to have an Adverse Effect; provided that if such amendment would have such result, such amendment may only be made if the Issuer has obtained the consent of the Debtholders affected by such amendment by Ordinary Resolution.

Regarding amendments to the Master Trust Indenture or a Supplemental Indenture, see "— *Amendments to Master Trust Indenture*".

Consolidation; Sale of Assets

The Issuer may not consolidate with or merge into any other person, or sell, convey, exchange, transfer or otherwise dispose of any of its properties or assets included in the Collateral to any person (each, a "**transaction**"), unless:

(a) the entity formed by or surviving the consolidation or merger (if other than the Issuer) or the entity that acquires by conveyance or transfer formed by or surviving the consolidation or merger, by conveyance or transfer, as applicable: (i) is a financing entity; (ii) is organized under the laws of Canada or any province or territory thereof; (iii) is not a non-resident for purposes of the *Income Tax Act* (Canada); (iv) is not subject to regulation as an "investment company" under the Investment Company Act, (v) expressly assumes, pursuant to an assignment and/or assumption agreement or supplement, the due and punctual payment of all Obligations Secured then

outstanding and the performance or observance of all of the Issuer's agreements and covenants under each of the Program Agreements to which the Issuer is a party; and (vi) in the case of a conveyance or transfer only, expressly agrees, pursuant to such assignment and/or assumption agreement or supplement, that (A) all right, title and interest conveyed or transferred is subject and subordinate to the security interest of the Indenture Trustee and (B) it will make all filings required by applicable securities laws in connection with any Notes;

(b) no Event of Default has occurred and is continuing immediately after the transaction;

(c) the Issuer has delivered to the Indenture Trustee an officer's certificate and an opinion of counsel,[51] each stating that (i) such transaction and the agreements delivered in connection with such transaction comply with the terms and conditions in the Master Trust Indenture, (ii) all conditions precedent in the Master Trust Indenture relating to the transaction have been complied with, and (iii) each agreement delivered in connection with such transaction has been duly authorized, executed and delivered, and are valid, binding and enforceable against the surviving entity or transferee, as applicable;

(d) the Rating Agency Condition has been satisfied with respect to such transaction; and

(e) any action as is necessary to maintain the first priority perfected security interest in the Collateral has been taken.

No Borrowing; Guarantees, Loans; Restricted Payments

The Issuer will not issue, incur, assume, guarantee or otherwise become liable for any indebtedness except for Funding Obligations. Additionally, the Issuer will not, except as contemplated by the Master Trust Indenture or the Declaration of Trust, make any loan or advance or credit to, or guarantee, endorse or otherwise become contingently liable in connection with the obligations of, or own, purchase or acquire any stock, obligations, assets or securities of, or any other interest in, or make any capital contribution to, any other person.

The Issuer is permitted to declare or make payable any amounts to the owner of units in the Issuer as permitted by and in accordance with the Declaration of Trust, and redeem, purchase, retire or otherwise acquire for value any units in the Issuer, provided that the Issuer may only satisfy the distribution declared or made payable, or the redemption or purchase price of such units to the extent that cash or property is available for such purpose, subject to the payment waterfalls provided for in the Master Trust Indenture. If the Issuer is restricted from satisfying the foregoing amounts in cash or property, then the Issuer will satisfy such amounts through the issuance of additional units and/or a promissory note to its unitholders in accordance with the Declaration of Trust.

Subordinated Funding Obligations and Junior Subordinated Funding Obligations

Notwithstanding anything in a Funding Obligation Agreement to the contrary, the Issuer may not redeem any Series or Tranche of Subordinated Funding Obligations or Junior Subordinated Funding Obligations unless the following conditions are satisfied: (i) no Default or Event of Default has occurred and is continuing; (ii) all Issuer Accounts are fully funded in accordance with the Master Trust Indenture and any applicable Funding Obligation Agreement; and (iii) the aggregate outstanding principal amount of Subordinated Funding Obligations and Junior Subordinated Funding Obligations after giving effect to such redemption will not be less than 35% of the aggregate outstanding principal amount of Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations.

The Issuer will not permit (i) the aggregate outstanding principal amount of Subordinated Funding Obligations and Junior Subordinated Funding Obligations to be less than 35% of the aggregate outstanding principal amount of Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations, or (ii) the aggregate outstanding principal amount of Junior Subordinated Funding Obligations to be less

[51] **Note:** Please confirm deletion of "external counsel". Please see definition of "Opinion of Counsel" and s. 13.19(c) in Master Trust Indenture.

than 10% of the aggregate outstanding principal amount of Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations.

Security Matters

The Issuer will not (i) permit any lien, charge, excise, claim, security interest, mortgage or other encumbrance (other than permitted liens) to be created on or extend to the Collateral, (ii) release any security or guarantee in respect of the Collateral, (iii) sell, transfer, exchange or otherwise dispose of any of the Collateral except as expressly permitted under the Master Trust Indenture, or (vi) change its name, jurisdiction of formation or type of organization, unless it has provided the Indenture Trustee and each Rating Agency with prior written notice and it has first made all filings and taken all actions necessary to continue and maintain the Indenture Trustee's first priority security interest in the Collateral.

Other Covenants

In addition to the covenants contained in any Supplemental Indenture or any other Funding Obligation Agreement and the other covenants described in this section, the Issuer agrees that:

- upon the written request of the Indenture Trustee, it will use reasonable commercial efforts, following any (i) termination or resignation of the Servicer, the Manager or the Paying Agent, or (ii) termination, non-renewal or expiry of a liquidity agreement or a credit enhancement agreement, to appoint and enter into an agreement with a successor to such Servicer, Manager or Paying Agent, or replace or renew such liquidity agreement or credit enhancement agreement, in form and substance the same as the previously existing Program Agreement;

- it will not claim any credit on or make any deduction from the principal and interest payable on the Notes or Borrowings (other than amounts withheld or deducted in accordance with the Master Trust Indenture); or

- it will not take any action that would cause it to be treated as engaged in a "trade or business within the United States" for U.S. federal income tax purposes.

Amendments to Master Trust Indenture

Amendments not Requiring Consent of Specified Creditors

The Issuer and the Indenture Trustee may amend, supplement or otherwise modify the Master Trust Indenture or any Supplemental Indenture without the consent of any Specified Creditor upon prior notice to each Rating Agency and the Province of Ontario and delivery by the Issuer to the Indenture Trustee of an officer's certificate to the effect that the Issuer reasonably believes that such amendment will not and is not reasonably expected to have an Adverse Effect. Such amendments to the Master Trust Indenture or any Supplemental Indenture may:

- evidence the succession or successive successions of another Financing Entity to the Issuer, and the assumption by such successor of the covenants of the Issuer in the Master Trust Indenture and the Notes;

- add to the covenants of the Issuer, or have the Issuer surrender any of its rights or powers under the Master Trust Indenture (or any Supplemental Indenture), for the benefit of the Debtholders of any or all Classes, Series or Tranches of Issuer Funding Obligations;

- cure any ambiguity, correct or supplement any provision in the Master Trust Indenture which may be inconsistent with any other provision in the Master Trust Indenture (or any Supplemental Indenture), to correct a clear clerical or administrative error, or make any other provisions for matters or questions arising under the Master Trust Indenture;

- provide for the issuance of any Series or Tranche of Notes and to set forth the terms thereof, and/or to add to the rights of the Noteholders of any Class, Series or Tranche;
- provide for the acceptance of a successor Indenture Trustee under the Master Trust Indenture;
- add any Events of Default relating to any or all Classes, Series or Tranches of Issuer Funding Obligations;
- provide for the consolidation of any financing entity and the Issuer into a single entity or the transfer of assets in any financing entity to the Issuer;
- if the IESO is replaced under the Master Transfer and Servicing Agreement, make any necessary changes to the Master Trust Indenture;
- provide for additional forms of credit enhancement for any Class, Series or Tranche of Issuer Funding Obligations;
- facilitate the issuance of foreign currency Issuer Funding Obligations;
- comply with any regulatory, accounting or tax laws, or changes to any ratings criteria;
- enable the Issuer to file a registration statement for the offering of securities registered under the Securities Act and to comply with Regulation AB thereunder; or
- qualify for sale treatment under generally accepted accounting principles.

The Master Trust Indenture or any Supplemental Indenture may also be amended by the Issuer and the Indenture Trustee without the consent of any Specified Creditor (but with prior notice to each Rating Agency and the Province of Ontario) in the following circumstances, provided that the Issuer delivers to the Indenture Trustee an officer's certificate to the effect that (i) the Issuer reasonably believes that such amendment will not and is not reasonably expected to have an Adverse Effect, and (ii) such amendment is required to comply with law, or to conform or be consistent with the statements contained in this confidential shelf offering memorandum:

- to facilitate compliance with changes in laws or regulations applicable to the Issuer or the transactions governed by the Program Agreements; or
- to cause the provisions of the Master Trust Indenture to conform to or be consistent with or in furtherance of the statements made in this confidential shelf offering memorandum with respect to the Master Trust Indenture or any Supplemental Indenture.

Additionally, the Master Trust Indenture or any Supplemental Indenture may also be amended by the Issuer and the Indenture Trustee without the consent of any Specified Creditor (but with prior notice to each Rating Agency and the Province of Ontario) in the following circumstances, provided that (i) the Issuer delivers to the Indenture Trustee an officer's certificate to the effect that the Issuer reasonably believes that such amendment will not and is not reasonably expected to have an Adverse Effect and (ii) the Rating Agency Condition is satisfied with respect to such amendment:

- to add provisions to, or change in any manner or eliminate any of the provisions of, the Master Trust Indenture or any Supplemental Indenture;
- to modify in any manner the rights of the Specified Creditors under the Master Trust Indenture or any Supplemental Indenture; or
- to provide for those changes necessary for compliance with securities law requirements or banking laws or regulations.

The Indenture Trustee may, but is not obligated to, enter into any amendment which adversely affects its rights, duties, benefits, protections, privileges or immunities under the Master Trust Indenture (or any Supplemental Indenture).

Amendments Requiring Consent of Debtholders

The Issuer and the Indenture Trustee may amend, supplement or otherwise modify and amend the Master Trust Indenture or any Supplemental Indenture for reasons other than those stated in the prior section ("*— Amendments not Requiring Consent of Specified Creditors*"), with prior notice to each Rating Agency and the Province of Ontario, the consent of Debtholders of each Class, Series or Tranche of Issuer Funding Obligations affected by that amendment, supplement or other modification by Ordinary Resolution, and satisfaction of the Rating Agency Condition. However, if the amendment, supplement or other modification would result in any of the following events occurring, it may be made only with the consent of each Debtholder of Issuer Funding Obligations affected thereby and satisfaction of the Rating Agency Condition:

- a change in an Interest Payment Date, Principal Payment Date or Principal Payment Default Date for any Issuer Funding Obligation;
- a reduction in the principal amount of, or interest rate on, any Note, or a change in the method of computing the outstanding principal amount in a manner that is adverse to any Debtholder;
- a reduction in the amount of a discount note payable upon its acceleration;
- a reduction in the percentage in outstanding principal amount of Issuer Funding Obligations of any Class, Series or Tranche, the consent of whose holders is required for modification or amendment of the Master Trust Indenture, any Supplemental Indenture or any related agreement or for waiver of compliance with provisions of the Master Trust Indenture or for waiver of defaults and their consequences provided for in the Master Trust Indenture;
- a modification of any of the provisions governing the amendment of the Master Trust Indenture or any Supplemental Indenture, or waivers of past defaults, except to increase any percentage of Debtholders required to consent to any such amendment or waiver, or to provide that certain other provisions of the Master Trust Indenture cannot be modified or waived without the consent of each Debtholder affected by such modification;
- a change in the city or political subdivision so designated with respect to any Class, Series or Tranche of Notes where any principal of, or interest on, any Note is payable; or
- a change in the method of computing the amount of principal of, or interest on, any Note on any date.

Debtholder Approvals and Meetings

Access to Debtholder Lists

The Indenture Trustee will preserve the names and addresses of all Specified Creditors received by it in its capacity as Note registrar and those which it has received from the Issuer in accordance with the Master Trust Indenture. Three or more Debtholders of any Series or Tranche, each of whom has owned an Issuer Funding Obligation of such Series or Tranche for at least six months, may, by application to the Indenture Trustee in the prescribed form, obtain access to the current list of Debtholders held by the Indenture Trustee for purposes of communicating with other Debtholders concerning their rights under the Master Trust Indenture (or any Supplemental Indenture) or under the applicable Program Agreement.

Debtholder Meetings

The Master Trust Indenture sets out the mechanics for meetings of Debtholders. The Master Trust Indenture provides for meetings of Debtholders of any Class, Series or Tranche of Issuer Funding Obligations, of all Issuer Funding Obligations, of Controlling Class Obligations of a Series or of all Controlling Class Obligations (each of such groups of Debtholders being a "**Debtholder Group**"). The Indenture Trustee will call a meeting of a Debtholder Group upon request of the Issuer or Debtholders of at least 25% in aggregate outstanding principal amount of the applicable Issuer Funding Obligations. If the Indenture Trustee fails to convene, or cause to be convened, such a meeting after 30 days, the Issuer or those Debtholders may convene the meeting. The Indenture Trustee may call a meeting of a Debtholder Group at any time for any purpose. The quorum for any meeting is one or more persons holding (personally or as proxies) not less than 25% of the outstanding principal amount of the Issuer Funding Obligations of the Debtholder Group entitled to vote at such meeting. Each Debtholder who is present, whether in person or by proxy, will have one vote for every $1,000 of outstanding principal amount of applicable Issuer Funding Obligations of which he or she shall be the holder.

Every question submitted to a meeting, except those matters requiring an Extraordinary Resolution, shall be decided by a majority of the votes (an "**Ordinary Resolution**"). Any matter requiring an Extraordinary Resolution shall be decided by the affirmative vote of Controlling Class Creditors holding not less than 66⅔% of the outstanding principal amount of all Controlling Class Obligations (an "**Extraordinary Resolution**"). Such matters include:

- after the security has become enforceable, authorizing the Indenture Trustee to accept, in satisfaction or partial satisfaction, all or any part of the Collateral;
- after the security has become enforceable, sanctioning the selling of the Collateral or any part thereof or interest therein;
- after the security has become enforceable, authorizing the Indenture Trustee or any other person to bid or tender at any sale of the Collateral or any part thereof and take such actions in connection with such sale as it determines to be in the best interests of all Controlling Class Creditors;
- consenting to any compromise or arrangement by the Issuer with any creditor, creditors or class or classes of creditors or with the holders of any securities of the Issuer whose claims are payable from the Collateral;
- restraining any Debtholder from taking or instituting any suit, action or proceeding for the purpose of realizing on the Collateral or for the execution of any trust or power hereunder or for the appointment of a liquidator, receiver or trustee in bankruptcy or to have the Issuer liquidated or for any other remedy hereunder and to direct such Debtholder to waive any Event of Default on which any suit or proceeding is founded;
- requiring the Indenture Trustee (subject to receipt by the Indenture Trustee of reasonable funding and indemnity) to exercise or refrain from exercising any other powers conferred upon it by the Master Trust Indenture of general application to all Classes of Issuer Funding Obligations, including the exercise of any rights of the Issuer under any of the Program Agreements upon the occurrence and during the continuance of an Event of Default, or cancel any declaration of acceleration made pursuant to the Master Trust Indenture upon such terms and/or conditions as may be decided;
- authorizing the Indenture Trustee, for and on behalf of all Debtholders, to file and prove a claim or debt against the Issuer or its property for an amount equivalent to the aggregate amount which may be payable in respect of all Issuer Funding Obligations, to value the Collateral, and to vote such claim or debt at meetings of creditors and generally act for and on behalf of all Debtholders in such proceedings as such Extraordinary Resolution may provide; and

- appointing a committee to exercise, on behalf of all Controlling Class Creditors, any powers of such Controlling Class Creditors as are exercisable by Extraordinary Resolution or other resolution (as specified in the Extraordinary Resolution appointing such committee).

Any resolution or instrument signed by the requisite number of Debtholders or Controlling Class Creditors, as applicable, shall have the same force and effect as a resolution duly passed at a meeting of such Debtholders or Controlling Class Creditors.

Any action or vote taken at a meeting (including by way of written instrument) of Debtholders of a Debtholder Group duly held in accordance with the Master Trust Indenture will be binding on all Debtholders of that Debtholder Group. An Extraordinary Resolution shall bind all Debtholders and all other Specified Creditors.

In determining whether Noteholders of the requisite principal amount have taken any action under the Master Trust Indenture, (i) Senior Notes owned by the Issuer, the Manager or any affiliate of either of them, and (ii) any Class of Notes (or portion thereof) in which the Province of Ontario has an interest will, in each case, be disregarded and deemed not to be outstanding at any time that a Specified Creditor other than the Province of Ontario has an interest in such Class of Notes. In determining whether the Indenture Trustee will be protected in relying upon any such action, only Senior Notes (or, in the case of the Province of Ontario, any Notes) which a responsible officer of the Indenture Trustee knows to be owned by the Issuer, OPG or any affiliate of either of them, or with respect to which the Province of Ontario has an interest pursuant to the Change of Law Protection Agreement, will be so disregarded.

Whenever an action may be taken by Debtholders of a specified percentage of outstanding principal amount of Issuer Funding Obligations and at such time there are outstanding Issuer Funding Obligations of any relevant Series denominated in a foreign currency, then the principal amount of the Issuer Funding Obligations of such Series which will be deemed to be outstanding for purposes of taking such action will be the amount of Canadian dollars which could be obtained for such principal amount at the market exchange rate on the applicable date.

Events of Default

General

Each of the following events is an "**Event of Default**":

(a) the Issuer's failure, for a period of 5 days, to pay interest on any Controlling Class Obligations when such interest becomes due and payable;

(b) the Issuer's failure to pay the principal of any Controlling Class Obligations at the Principal Payment Default Date;

(c) any representation or warranty in the Master Trust Indenture proves to be incorrect in any material respect when made and if capable of remedy, such incorrect representation or warranty is not remedied for a period of 60 days after the Indenture Trustee or Controlling Class Creditors holding at least 25% of the outstanding principal amount of all Controlling Class Obligations have provided written notice to the Issuer requesting remedy of that default and stating that as a result of such default, the interests of such Controlling Class Creditors are materially and adversely affected and continue to be materially and adversely affected during the 60-day period;

(d) the Issuer's default in the performance, or breach, of any other of its covenants or warranties in the Master Trust Indenture, for a period of 60 days after the Indenture Trustee or Controlling Class Creditors holding at least 25% of the outstanding principal amount of all Controlling Class Obligations have provided written notice to the Issuer requesting remedy of that default and stating that as a result of such default, the interests of such Controlling Class Creditors are materially and adversely affected and continue to be materially and adversely affected during the 60-day period;

(e) certain events of bankruptcy or insolvency of the Issuer, or the Issuer fails to maintain its existence or status as a Financing Entity;

(f) the Change of Law Protection Agreement ceases to be in full force and effect against the Province of Ontario, or the validity thereof, or the applicability thereof to the Province of Ontario or any Controlling Class Obligations is disaffirmed by the Province of Ontario;

(g) an Acceleration Event has occurred and Controlling Class Creditors holding at least 25% of the outstanding principal amount of all Controlling Class Obligations have provided written notice to the Issuer and the Indenture Trustee specifying the default;

(h) the Issuer's default in the performance of its covenant to deliver payment instructions for a period of three days after the Indenture Trustee has provided written notice thereof;

(i) at any time, the amounts withdrawn from the Program Cash Reserve Account prior to such time exceed the aggregate of (x) 0.50% of the largest outstanding principal amount of all Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations on or prior to such time, (y) the sum of all amounts deposited to the Program Cash Reserve Account, and (z) all interest and earnings (net of losses and investment expenses), if any, on funds credited to the Program Cash Reserve Account; or

(j) a Servicer Default occurs.

If Controlling Class Obligations constituting 25% or more of the outstanding principal amount of all Controlling Class Obligations have been accelerated in accordance with their Funding Obligation Agreements, the thresholds required in clauses (c), (d) or (g) will be deemed to have been met.

Waiver of Default

Subject to the summary provided for below under "*— Acceleration and Remedies — General*", Controlling Class Creditors may, by Ordinary Resolution, waive any past Default under the Master Trust Indenture so long as the Rating Agency Condition in respect of each Series or Tranche of Controlling Class Obligations has been satisfied.

Acceleration and Remedies

General

If an Event of Default (other than an Event of Default described in paragraph (e) or (f)) occurs and is continuing, either the Indenture Trustee or Controlling Class Creditors holding not less than 50% of the outstanding principal amount of all Controlling Class Obligations (treated as one class) may declare the outstanding principal amount of all Issuer Funding Obligations (other than Derivative Funding Obligations) to be immediately due and payable. If Controlling Class Obligations constituting 50% or more of the outstanding principal amount of all Controlling Class Obligations have been accelerated in accordance with their Funding Obligation Agreements, the 50% threshold required will be deemed to have been met. The occurrence of an Event of Default described in paragraph (e) or (f) results in an automatic acceleration of all Issuer Funding Obligations (other than Derivative Funding Obligations).

A declaration of acceleration or an automatic acceleration may be rescinded by Extraordinary Resolution if (i) the Issuer has paid all overdue interest, principal that has become due (other by reason of acceleration) on Controlling Class Obligations and other amounts set out in the Master Trust Indenture, and (ii) all Events of Default (other than non-payment of principal) have been cured or waived.

If Controlling Class Obligations are accelerated, the Indenture Trustee may amongst other things, (i) apply to a court for an order of sequestration and payment of amounts in respect of the Clean Energy Adjustment in accordance with the FHPA, (ii) take possession of the Collateral, (iii) appoint a receiver with respect to the

Collateral, (iv) initiate proceedings in any court for the appointment of a receiver or for sale or foreclosure, (v) exercise rights, remedies, powers, privileges and claims under any Program Agreement, including the right to terminate and replace the Manager or the Servicer, or (vi) take any other action, suit, remedy or proceeding authorized or permitted by the Master Trust Indenture or by applicable law. The Indenture Trustee is not obligated to exercise any of its rights or powers under the Master Trust Indenture at the request or direction of any Controlling Class Creditors unless Controlling Class Creditors offer the Indenture Trustee a reasonable indemnity.

See *"Risk Factors — Risks Associated with the Unusual Nature of the Investment Asset" and "Risk Factors — Insolvency-Related Risks Relating to the Issuer"*.

Limitation on Available Amounts on Acceleration

If all or any portion of the principal amount of any indebtedness of the Issuer (including one or more Series of Senior Notes) becomes due and payable after the Moratorium Period and before its scheduled payment date, maturity date or redemption date, then the estimated Finance Amount used by the Financial Services Manager to determine the Clean Energy Adjustment for a period will be determined without regard to the fact that such amount has become due and payable, unless and only to the extent that the amount of the Clean Energy Adjustment is capable of being increased based on the Fair Allocation Amount for such period. See *"Ontario's Fair Hydro Plan — Fair Allocation Amount and Financing Plan"*. However, upon such acceleration, all accelerated Senior Notes will be repaid in full before any further payments of principal are made to holders of subordinated indebtedness, including the subordinated debt held by OPG; therefore, collections of the Clean Energy Adjustment that would otherwise have been available to repay the principal amount of subordinated indebtedness in the absence of acceleration of the Senior Notes will instead be applied to repay accelerated Senior Notes. See *"Capital Markets Platform"*.[52]

Payment Waterfall Upon Acceleration

After acceleration of the Issuer Funding Obligations (other than derivative agreements), any money or other property standing to the credit of an Issuer Account (except as set out below) or otherwise collected by the Indenture Trustee will be applied in the following priority:

(a) first, to the payment or remittance of taxes for which a governmental authority is given priority over the Specified Creditors under the laws of the applicable jurisdiction;

(b) second, to pay fees, expenses and reimbursement amounts owing to the Issuer Trustee and the Indenture Trustee;

(c) third, *pari passu* (i) to pay interest, fees and other amounts (other than principal) owing in respect of Senior Funding Obligations and (ii) to pay all Derivative Funding Obligations (other than termination payments);

(d) fourth, to pay interest, fees and other amounts (other than principal) owing in respect of Subordinated Funding Obligations;

(e) fifth, to pay interest, fees and other amounts (other than principal) owing in respect of Junior Subordinated Funding Obligations;

(f) sixth, to pay principal owing in respect of Warehouse Obligations;

(g) seventh, *pari passu* (A) to pay principal owing in respect of Senior Funding Obligations (other than Warehouse Obligations) and (B) to pay termination payments owing to Derivative Counterparties where the Derivative Counterparty is not the defaulting party or the sole affected party;

[52] **Note:** Please consider tracking the specific terms of section 6.1 of the General Regulation, and add detailed descriptions to correspond to the limitation on cashflows during acceleration in the applicable detailed portions of the OM and Risk Factors.

(h) eighth, to pay fees, expenses and reimbursement amounts owing to the Manager;

(i) ninth, to pay principal owing in respect of Subordinated Funding Obligations;

(j) tenth, to pay principal owing in respect of Junior Subordinated Funding Obligations;

(k) eleventh, to pay termination payments owing to Derivative Counterparties where the Derivative Counterparty is the defaulting party or the sole affected party;

(l) twelfth, to pay all indemnity amounts owing to the Manager;

(m) thirteenth, *pari passu* (i) to the payment or remittance of taxes not previously paid pursuant to paragraph (a), and (ii) to pay all amounts owing to Specified Creditors not specifically referred to above; in each case, including, for each referenced party, any amounts payable to their respective affiliates under the terms of any relevant indemnity; and

(n) fourteenth, to pay any remaining amounts to the Issuer.

However, amounts on deposit in a Series Account will first be used to satisfy all obligations owing to the Debtholders or Derivative Counterparties for whom such Series Account was established. Thereafter, such amounts will be applied in accordance with the priorities set out above. In addition, amounts on deposit in the Protection Account will only be used to satisfy the obligations for which those amounts were deposited.

Rights of Specified Creditors

No Specified Creditor will have the right to institute any proceeding, judicial or otherwise, with respect to the Master Trust Indenture, or for the appointment of a receiver or trustee or similar official, or for any other remedy under the Master Trust Indenture. A Controlling Class Creditor may exercise such rights if:

(a) the Issuer or a Controlling Class Creditor has previously given to the Indenture Trustee written notice of a continuing Event of Default;

(b) Controlling Class Creditors, by Ordinary Resolution, have made written request of the Indenture Trustee to institute the proceeding in its own name as Indenture Trustee;

(c) Controlling Class Creditors have offered the Indenture Trustee a satisfactory indemnity; and

(d) the Indenture Trustee has, for 60 days, failed to institute the proceeding.

Subject to certain powers which may only be exercised by Extraordinary Resolution, Controlling Class Creditors, by Ordinary Resolution, will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising any trust or power conferred on the Indenture Trustee with respect to all Issuer Funding Obligations. However, the Indenture Trustee may decline to follow such direction if it determines (based on advice from counsel) that such direction (i) conflicts with applicable law or the Master Trust Indenture, (ii) has a substantial likelihood of involving the Indenture Trustee in personal liability or (iii) is unjustly prejudicial to Controlling Class Creditors not taking part such direction. See "— *Debtholder Approvals and Meetings — Debtholder Meetings*" for a description of certain powers which may only be exercised by Extraordinary Resolution. Specified Creditors (other than Debtholders) do not have any right to direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising any trust or power conferred on the Indenture Trustee. Specified Creditors (other than Debtholders) will only have the right to receive proceeds following an Event of Default.

Limited Recourse

The obligation of the Issuer to pay principal of and interest on the Issuer Funding Obligations or any other amount payable to any Specified Creditor is subject to the allocation and payment provisions in the Master Trust Indenture and the applicable Funding Obligation Agreement and limited to amounts available from the Collateral. Neither the Indenture Trustee, the Manager nor the Issuer Trustee in its individual capacity, nor any holder of any unit in the Issuer, nor any of their respective owners, beneficiaries, agents, officers, directors, employees, successors or assigns will, in the absence of an express agreement to the contrary, be personally liable for the payment of the principal of or interest on the Notes or any other Issuer Funding Obligation, or for the Issuer's covenants and agreements contained in the Master Trust Indenture.

No Petition

Each Specified Creditor, by accepting its rights as a beneficiary under the Master Trust Indenture, agrees that until one year and one day following repayment in full of all Issuer Funding Obligations, it will not commence (or join in commencing) a bankruptcy, insolvency or similar proceeding under the laws of any jurisdiction against the Issuer.

Force Majeure

The Indenture Trustee and the Issuer Trustee will not be responsible or liable for any failure or delay in the performance of their obligations under the Master Trust Indenture arising out of or caused by, directly or indirectly, forces beyond their control, including loss or malfunctions of utilities, communications or computer services.

Satisfaction and Discharge

The Master Trust Indenture will cease to be of further effect with respect to any Class, Series or Tranche of Issuer Funding Obligations when:

(a) (x) in the case of Notes, all Notes of that Class, Series or Tranche which had been outstanding, with certain exceptions set forth in the Master Trust Indenture, have been delivered to the Indenture Trustee for cancellation or been cancelled, or (y) in the case of all other Issuer Funding Obligations, all Issuer Funding Obligations of that Class, Series or Tranche have been paid in full, as certified by the Issuer;

(b) the Issuer has paid all other sums payable by it under the Master Trust Indenture with respect to that Class, Series or Tranche of Issuer Funding Obligations; and

(c) the Issuer has delivered to the Indenture Trustee an officer's certificate and an opinion of external counsel each stating that the conditions precedent in the Master Trust Indenture relating to the satisfaction and discharge with respect to that Class, Series or Tranche of Issuer Funding Obligations have been complied with.

The Master Trust Indenture will cease to be of further effect when all Issuer Funding Obligations have been satisfied and discharged in accordance with the previous paragraph and all other Obligations Secured have been paid in full, as certified by the Issuer.

DESCRIPTION OF NOTES

The following description of the Senior Notes is a summary of certain of their material attributes and characteristics, and does not purport to be complete. The terms and conditions set forth in this "Description of the Senior Notes" section will apply to each Senior Note unless otherwise specified in the Term Sheet applicable to such

Offering. For further particulars, reference should be made to the Master Trust Indenture and the Supplemental Indenture and Terms Document, if any, relating to the particular Series or Tranche of Senior Notes.

General

The Senior Notes will be issued under the Master Trust Indenture and will be Funding Obligations issued in connection with the financing program described under the heading "*Capital Markets Platform*". The specific terms and conditions of each Series of Senior Notes will be set forth in the Supplemental Indenture authorizing that Series and the specific terms and conditions of any Tranche of Senior Notes will be set forth in the Supplemental Indenture or the Terms Document authorizing that Tranche.

Under the Master Trust Indenture, the Issuer may issue an unlimited principal amount of Senior Notes. See "*Capital Markets Platform — Conditions Precedent to Incurrence of Obligations Secured — Issuer Funding Obligations*". The Senior Notes will be direct obligations of the Issuer and secured in the manner provided for under the Master Trust Indenture. See "*Capital Markets Platform — Security*".

The Supplemental Indenture or Terms Document will describe the following terms of the Senior Notes:

- the Series designation;
- stated principal amount of the Senior Notes;
- whether such Senior Notes are of a particular Tranche of Senior Notes;
- the currency or currencies in which such Senior Notes will be denominated and in which payments of principal of, and interest on, such Senior Notes will or may be payable;
- the price at which such Series or Tranche of Senior Notes will be issued;
- the times at which such Series or Tranche of Senior Notes may, pursuant to any optional redemption provisions, be redeemed, and the other terms and provisions of any such redemption;
- the rate per annum at which such Series or Tranche of Senior Notes will bear interest, if any, or the formula or index on which such rate will be determined;
- each Interest Payment Date, each Principal Payment Date and the Principal Payment Default Date for such Series or Tranche of Senior Notes;
- the Principal Accumulation Date(s) and Principal Accumulation Amount(s) for such Series of Senior Notes;
- the initial principal amount of such Senior Notes, and the means for calculating the outstanding principal amount of such Series or Tranche of Senior Notes;
- whether or not application will be made to list such Series or Tranche of Notes on any securities exchange;
- any events of default with respect to such Series or Tranche of Senior Notes;
- if such Series or Tranche of Senior Notes will be issued in whole or in part in the form of a global note, the terms and conditions, if any, upon which such global note may be exchanged for other individual Senior Notes, and the depository for such global note;
- if such Class, Series or Tranche of Senior Notes will be issued in whole or in part in registered form, bearer form or both, and if such Senior Notes will be issued with or without coupons;

- if such Class, Series or Tranche will have the benefit of a credit enhancement agreement or liquidity agreement, and the terms and provisions of the applicable agreement;

- the record date for any Interest Payment Date or Principal Payment Date of such Series or Tranche of Senior Notes, if different from the last of the month before the related Interest Payment Date or Principal Payment Date; and

- whether and under what conditions, additional amounts will be payable to Noteholders of such Series or Tranche of Notes.

Limitations

The Senior Notes do not constitute a debt, liability or other obligation of, or interest in, OPG or any of its other affiliates (other than the Issuer). The Senior Notes are not a debt, liability or obligation of the Province of Ontario or any of its political subdivisions, agencies or instrumentalities. The Senior Notes will not be insured or guaranteed by the Province of Ontario, OPG or any of their respective affiliates or any other person or entity, except that the Province of Ontario has agreed to provide a limited guarantee in respect of the Senior Notes following the occurrence of certain events. See *"Change of Law Protection Agreement"*.

Payments of Principal and Interest

Interest will accrue on the principal balance of each Series or Tranche of Senior Note at the interest rate specified in the related Term Sheet and will be payable on the Interest Payment Date(s) specified in the related Term Sheet. Principal of each Series or Tranche of Senior Notes will be payable in the amounts and on the Principal Payment Date(s) specified in the related Term Sheet. The Term Sheet applicable to a Series or Tranche of Senior Notes will also set out the Principal Payment Default Date for such Senior Notes, which is the date on which failure to pay the principal amount of such Senior Notes will result in an Event of Default.

On each Payment Date, the Issuer will, to the extent funds are available therefor from the Collection Account (see "*Capital Markets Platform — Payment Waterfalls Prior to Acceleration — Collection Account*"), transfer to the Interest Accumulation Account the aggregate amount of interest that has accrued on each Series of Senior Notes (together with all other amounts to be accrued for other Issuer Funding Obligations). On each Interest Payment Date for a Series or Tranche of Senior Notes, the Paying Agent will pay to the holders of such Senior Notes interest then due on such Senior Notes using amounts available therefor from the Interest Accumulation Account, the Principal Accumulation Account, the IESO Cash Reserve Account, the Program Cash Reserve Account and the Protection Account. See "*Change of Law Protection Agreement*" and "*Capital Markets Platform — Payment Waterfalls Prior to Acceleration*".

On each Payment Date, the Issuer will, to the extent funds are available therefor from the Collection Account (see "*Capital Markets Platform — Payment Waterfalls Prior to Acceleration — Collection Account*"), transfer to the Principal Accumulation Account the aggregate of the amounts the Issuer is required to accumulate for each Series of Senior Notes (together with all other amounts to be accumulated for other Issuer Funding Obligations). The Term Sheet applicable to a Series or Tranche of Senior Notes will set out the Principal Accumulation Amount(s) and the Principal Accumulation Date(s) for such Senior Notes. On each Principal Payment Date for a Series or Tranche of Senior Notes, the Paying Agent will pay to the holders of such Senior Notes the principal then due on such Senior Notes using amounts available therefor from the Principal Accumulation Account, the Program Cash Reserve Account and the Protection Account. See "*Change of Law Protection Agreement*" and "*Capital Markets Platform — Payment Waterfalls Prior to Acceleration*". Holders of Senior Notes may receive principal payments earlier than a Principal Payment Date if an optional redemption occurs and may receive principal payments later than a Principal Payment Date if there are insufficient Available Collections. See "*Risk Factors*" for a discussion of factors that may affect the timing of principal payments on a Series or Tranche of Senior Notes. It is not an Event of Default if the stated principal amount of a Series or Tranche of Senior Notes is not paid in full on a Principal Payment Date. If the stated principal amount of a Senior Note is not paid in full by its Principal Payment Default Date, an Event of Default will occur. See "*Capital Markets Platform — Events of Default*".

Unless otherwise specified in a Term Sheet, the Issuer has designated the Indenture Trustee as its Paying Agent for all Senior Notes having a place of payment in Toronto, Ontario.

Optional Redemption of Senior Notes

If a Supplemental Indenture for any Series or Tranche of Senior Notes states that such Senior Notes will be redeemable, in whole at any time or in part from time to time, such Senior Notes will be redeemable at the option of the Issuer at the redemption price specified in the Supplemental Indenture. If less than all the Senior Notes of any Series or Tranche are to be redeemed at one time, the Senior Notes of such Series or Tranche to be redeemed will be selected by the Indenture Trustee on a pro rata basis according to the principal amount of such Senior Notes registered in the name of each holder thereof, or in such other manner as the Indenture Trustee may consider equitable.

Notice of any redemption will be delivered to each holder of the Senior Notes to be redeemed, electronically or by mail (postage prepaid) at the address of such holder appearing in the Note register (or published in an authorized newspaper in the case of Senior Notes held in bearer form) or otherwise in accordance with the procedures of the depository, at least 15 days but not more than 30 days before the redemption date, except that redemption notices may be delivered more than 30 days prior to the redemption date if the notice is issued in connection with a satisfaction and discharge of the Master Trust Indenture with respect to such Series or Tranche of Senior Notes. The notice of redemption will state (i) the portion of the principal amount thereof to be redeemed (provided that no Senior Notes in an aggregate principal amount of 1,000 units of the applicable currency or less will be redeemed in part), (ii) the redemption date and (iii) the redemption price. Unless the Issuer defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Senior Notes or portions of the Senior Notes called for redemption. A replacement note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original note; provided, however, that, in the case of a global note, an appropriate notation may instead be made on such note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof.

The Term Sheet for each Offering will identify the redemption provisions of the applicable Notes at the time of such Offering.

Purchase for Cancellation

The Issuer may purchase or otherwise acquire, at any time or from time to time, all or any of the outstanding Senior Notes of any Series or Tranche in the market or by invitation for tenders or by private contract at such prices as it may determine in its sole discretion. All such Senior Notes purchased by the Issuer will be cancelled. If, upon a tender, more Senior Notes of a Series or Tranche are tendered at the same lowest price than the Issuer is prepared to accept, the Senior Notes of such Series or Tranche to be purchased will be selected by the Indenture Trustee on a pro rata basis according to the principal amount of such Senior Notes registered in the name of each holder thereof, or in such other manner as the Indenture Trustee may consider equitable.

DEPOSITORY SERVICES

Except as otherwise provided below, the Senior Notes will be issued in "book-entry only" form and must be purchased, transferred, redeemed or exchanged through participants ("**Participants**") in the depository service of a depository chosen by the Issuer (the "**depository**") or its nominee, which include securities brokers and dealers, banks and trust companies. On the closing date of an Offering, the Issuer will cause a global certificate representing the Senior Notes to be delivered to, and registered in the name of, the depository or its nominee. Except as described below, no purchaser of Senior Notes will be entitled to a certificate or other instrument from the Issuer or the depository evidencing that purchaser's ownership thereof, and no purchaser will be shown on the records maintained by the depository except through a book-entry account of a Participant acting on behalf of such purchaser. Each purchaser of Senior Notes will typically receive a customer confirmation of purchase from the registered dealer from which the Senior Notes are purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally, customer confirmations are issued promptly after execution of a customer order. The depository will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in the Senior Notes.

Neither the Issuer, the Indenture Trustee nor the Agents will assume any liability for: (i) any aspect of the records relating to the beneficial ownership of the Senior Notes held by the depository or the payments relating thereto; (ii) maintaining, supervising or reviewing any records relating to the Senior Notes; or (iii) any advice or representation made by or with respect to the depository or those contained in this confidential shelf offering memorandum and relating to the rules governing the depository or any action to be taken by the depository or at the direction of its Participants. The rules governing the depository provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to the depository and persons, other than Participants, having an interest in the Senior Notes must look solely to Participants for payments made by or on behalf of the Issuer to the depository in respect of the Senior Notes.

If: (i) required by applicable law; (ii) the depository notifies the Issuer in writing that the depository is no longer willing or able to discharge properly the responsibilities of a depository with respect to the Senior Notes and the Issuer is unable to locate a qualified successor; (iii) the Issuer determines the Senior Notes in book-entry only form should be exchanged for definitive certificates and the Issuer delivers a written notice to such effect to the Indenture Trustee; (iv) an Event of Default has occurred and Noteholders holding more than 50% of the Controlling Class Obligations of any Series of Senior Notes determine such book-entry system is no longer in the best interests of the holders of that Series; or (v) the book-entry system is terminated, then certificates representing the Senior Notes will be issued to the beneficial owners of Senior Notes.

Interest on the Senior Notes will be paid directly to CDS while the book-entry only system is in effect. If definitive certificates are issued, interest will be paid by wire transfer of immediately available funds to the accounts specified by the holders thereof or, if no such account is specified, by mailing a cheque to each such holder's registered address. Payment of principal, and the interest due, at maturity, will be paid directly to CDS while the book-entry only system is in effect. If definitive certificates are issued, payment of principal, and interest due, at maturity, will be paid upon surrender thereof at any office of the Trustee or as otherwise specified in the Indenture.

Manner of Effecting Transfer or Redemption

A transfer or redemption of Senior Notes held in "book-entry form" only will be effected through records maintained by the depository or its nominee with respect to interests of Participants, and on the records of Participants with respect to interests of persons other than Participants. Purchasers of such Senior Notes who are not Participants, but who desire to purchase, sell or otherwise transfer ownership of or other interests in the Senior Notes, may do so only through Participants.

DTC, Euroclear and Clearstream, Luxembourg

Where CDS acts as depository for a series of Senior Notes, to the extent the Issuer makes such series of Senior Notes eligible with The Depositary Trust Company ("**DTC**"), Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"), and the Issuer specifies as such in the Term Sheet with respect to the particular series of Senior Notes, holders may hold such series of Senior Notes through the accounts maintained by DTC, Euroclear or Clearstream, Luxembourg, as applicable, as participants in CDS only if they are participants of those systems, or indirectly through organizations which are participants of those systems.

In such case, DTC, Euroclear and Clearstream, Luxembourg will hold omnibus book-entry positions on behalf of their participants through customers' securities accounts in their respective depositaries which in turn will hold such positions in customers' securities accounts in the names of the nominees of the depositaries on the books of CDS. All securities in DTC, Euroclear and Clearstream, Luxembourg are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts.

Transfers of such Senior Notes by persons holding through Euroclear or Clearstream, Luxembourg participants, as applicable, will be effected through CDS, in accordance with CDS rules, on behalf of the relevant European international clearing system by its depositaries; however, such transactions will require delivery of transfer instructions to the relevant European international clearing system by the participant in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transfer meets its requirements, deliver instructions to its

depositaries to take action to effect the transfer of the Senior Notes on its behalf by delivering Senior Notes through CDS and receiving payment in accordance with its normal procedures for next-day funds settlement. Payments with respect to the Senior Notes held through Euroclear or Clearstream, Luxembourg will be credited to the cash accounts of Euroclear participants or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures, to the extent received by its depositaries.

All information in this confidential shelf offering memorandum concerning CDS, DTC, Euroclear and Clearstream, Luxembourg, reflects the Issuer's understanding of the policies of such organizations which may change at any time without notice.

PLAN OF DISTRIBUTION

The Senior Notes may be sold by the Issuer directly pursuant to applicable statutory exemptions or through agents designated by the Issuer from time to time. Each Term Sheet will identify the Agents engaged in connection with the applicable Offering of Senior Notes and will also set forth the terms of the Offering of Senior Notes, including the net proceeds to the Issuer and, to the extent applicable, any fees payable to the Agents. The Agents will conditionally offer the Senior Notes for sale on a "best efforts" basis, if, as and when issued and delivered by the Issuer in accordance with the conditions contained in an agency agreement (the "**Agency Agreement**") between the Issuer, OPG and the Agents to be entered into on or about the date of each Term Sheet. The Agents will be paid a fee by the Issuer for their services rendered to the Issuer in connection with the offering, issue and sale of the Senior Notes. The obligations of the Agents under the Agency Agreement may be terminated upon the occurrence of certain stated events. The Agents may over-allot or effect transactions which stabilize or maintain the market price of the Senior Notes at a level different than that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Senior Notes may not be offered or sold, directly or indirectly, in Canada or to or for the account of any Canadian resident except, in the case of sales made in any province of Canada, pursuant to an exemption from the prospectus requirements in Section 2.3 of NI 45-106 and, in the case of a purchaser resident in Ontario, section 73.3(2) of the *Securities Act* (Ontario), also known as the "accredited investor" exemption. In addition, Senior Notes will not be offered or sold, directly or indirectly, to individuals unless those individuals are also "permitted clients" within the meaning of NI 31-103.

Resale of the Senior Notes will be subject to restrictions under applicable securities legislation which vary depending on the relevant jurisdictions. **The Senior Notes may only be sold on a basis that is exempt from the prospectus requirements of applicable securities legislation through an appropriately registered dealer or pursuant to an exemption from the registration requirements of applicable securities legislation**. See *"Restrictions on Resale"*.

This confidential shelf offering memorandum does not constitute an offer to sell or a solicitation of an offer to buy any of the Senior Notes in the United States. The Senior Notes have not been and will not be registered under the U.S. Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the U.S. Securities Act) unless the Senior Notes are registered under the U.S. Securities Act and applicable state securities laws or an exemption therefrom is available. In addition, until 40 days after the commencement of an Offering, any offer or sale of the Senior Notes within the United States by any dealer (whether or not participating in an Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements of the U.S. Securities Act. Each Agent has agreed that, except as permitted by an Agency Agreement, it will not offer or sell the Senior Notes as part of the distribution of the Senior Notes at any time within the United States or to, or for the account or benefit of, U.S. persons.

RISK FACTORS

An investment in Senior Notes involves certain risks. Prospective investors in the Senior Notes should carefully consider all the information included in this confidential shelf offering memorandum, including the risks described below, before deciding to invest in the Senior Notes. This section does not describe all risks applicable to the Issuer and is intended only as a summary of certain material risks. In addition, prospective investors should consult their

own financial and other legal and tax advisors, and should carefully consider, among other matters, the following discussion of risks before deciding whether to purchase Senior Notes.

Judicial, Legislative or Regulatory Risks

Future legal action might challenge or invalidate the FHPA or the Regulations and materially adversely affect a holder's investment in the Senior Notes.

The Investment Asset is a creation of the FHPA, which became effective on June 1, 2017. The Issuer will be the first Financing Entity under the FHPA to issue Funding Obligations as contemplated under the FHPA. The FHPA, the Regulations or any provisions thereof might be directly contested in courts or otherwise become the subject of litigation. The FHPA is novel legislation in Canada and therefore there are no precedents to rely on to support the validity of the FHPA or the Regulations.

As of the date of this confidential shelf offering memorandum, no such litigation has arisen; however, there can be no assurance that a lawsuit challenging the validity of some portion or all of the FHPA or the Regulations will not be filed in the future or that, if filed, such lawsuit will not be successful. If such a lawsuit was successful, and an invalidation of any relevant underlying legislative or regulatory provision were to result that did not constitute a Protection Event under the Change of Law Protection Agreement, a holder of Senior Notes may lose some or all of their investment in the Senior Notes or experience significant delays in recovering their investment in the Senior Notes. Even if the successful lawsuit constitutes a Protection Event, under the terms of the Change of Law Protection Agreement, the Province of Ontario is not obligated to pay or indemnify the Indenture Trustee or any Specified Creditor for consequential, special or punitive damages, or for economic loss or loss of profits (provided that economic loss does not include any amount in respect of an amount due and payable to a Specified Creditor under the Limited Guarantee).

Future legislative action to change the FHPA, the Regulations, the Change of Law Protection Agreement or the electricity market might materially adversely affect a holder's investment in the Senior Notes.

The FHPA provides that no act or omission of the Crown shall be effective to reduce, impair, postpone or terminate the obligations of Specified Consumers to pay amounts in respect of the Clean Energy Adjustment or to impair or postpone the invoicing, collection or remittance of the Clean Energy Adjustment. Ontario does not have a referendum or initiative process by which the FHPA may be amended or repealed. Therefore, the only way for such provisions of the FHPA to be amended or repealed would be through a subsequent legislative action by the Province of Ontario. A determination by the Province of Ontario that, for political or other reasons, the FHPA or the Regulations should no longer be law in Ontario or that the FHPA or Regulations should be amended to limit or delay the recovery of Clean Energy Adjustments, could result in a decision to make such an amendment, repeal or revocation. Any such action that adversely affects the ability of the Issuer to receive amounts in respect of the Investment Interest so that it can pay Approved Obligations when due and payable (determined after taking into account certain factors described above in the definition of "Protection Event") would be subject to the Change of Law Protection Agreement. Under the Change of Law Protection Agreement, the Province of Ontario is not obligated to pay or indemnify the Indenture Trustee or any Specified Creditor for consequential, special or punitive damages, or for economic loss or loss of profits (provided that economic loss does not include any amount in respect of an amount due and payable to a Specified Creditor under the Limited Guarantee). See "*Change of Law Protection Agreement*". However, future legislative action by the Province of Ontario could also be taken that would have the effect of voiding or otherwise rendering invalid the Change of Law Protection Agreement.

Canada does not have any constitutional protection of property rights. While an adverse impact of statutory measures on private property has, in some circumstances, been judicially held to entitle property owners to compensation, such entitlements themselves can also be extinguished by legislation. Accordingly, if the provisions of the FHPA or the Regulations referenced in the previous paragraph were amended or revoked through subsequent legislative action of the Province of Ontario and future legislative action was also taken by the Province of Ontario that had the effect of voiding or otherwise rendering invalid the Change of Law Protection Agreement, a holder of Senior Notes may lose some or all of their investment in the Senior Notes or experience significant delays in recovering their investment in the Senior Notes.

Future judicial action could reduce the value of a holder's investment in the Senior Notes.

The Investment Asset is the creation of the FHPA. There is uncertainty associated with investing in Senior Notes payable from an interest in an asset that depends on legislation for its existence because there is no juridical or regulatory experience implementing and interpreting the legislation or similar legislation in Canada. Because the Investment Asset is a creation of the FHPA, any judicial determination interpreting the FHPA or the Investment Asset might have an adverse effect on a holder of Senior Notes' investment in the Senior Notes.

Potential difficulties in enforcing civil liabilities against the Province of Ontario may arise.

Under the *Proceedings Against the Crown Act* (Ontario), the remedies of injunction and specific performance are not available against the Province of Ontario, although the remedy of damages is available.[~~52~~53] Nothing in the Change of Law Protection Agreement or the Program Agreements affects the rights, protections and immunities of the Crown under the *Proceedings Against the Crown Act* (Ontario). As a result, if the Province of Ontario fails to comply with the Change of Law Protection Agreement, the Indenture Trustee's ability to obtain an effective remedy against the Province of Ontario is limited and holders of Senior Notes may lose some or all of their investments in the Senior Notes or experience significant delays in recovering their investments.[~~53~~54]

Risks Associated with the Unusual Nature of the Investment Asset

Clean Energy Adjustments will not be payable until May 1, 2021 and until such time the IESO will be the sole source of funds for payment on the Senior Notes.

During the Moratorium Period, no Clean Energy Adjustments are permitted to be collected from Specified Consumers. During the Moratorium Period, a holder of Senior Notes must rely for payment of interest on the Senior Notes, and the Issuer must rely for payment of all of its other Carrying Costs, solely upon the IESO who is obligated under the Regulations to pay these Carrying Costs. The IESO has granted the Issuer a first-priority security interest in all its accounts receivable from Electricity Vendors, which includes the amounts receivable by the IESO from Electricity Vendors with respect to the global adjustment charge, as security for the performance of its regulatory obligation to pay the Issuer's Carrying Costs. The IESO also has a $2 billion unsecured credit facility agreement with the Ontario Financing Authority, expiring ■, 20■, which is permitted to be used to pay the Issuer's Carrying Costs. ***[NTD: IESO credit facility description to be confirmed.]***[~~54~~55] There can be no assurance that the IESO will continue to have sufficient funds available to pay interest on the Senior Notes or to pay the Issuer's other Carrying Costs during the Moratorium Period. If the Issuer enforces the security granted to the Issuer by the IESO during this period, there can be no assurance that the IESO's accounts receivable from Electricity Vendors will be sufficient to pay interest on the Senior Notes or the Issuer's other Carrying Costs and a holder of Senior Notes may suffer material payment delay on the Senior Notes during the Moratorium Period.

The Issuer's ability to enforce security granted by the IESO may be significantly impaired or delayed.

Under various Canadian bankruptcy, insolvency and restructuring statutes or Canadian federal or provincial receivership laws, including the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the *Canada Business Corporations Act*, the *Winding-up and Restructuring Act*, and various provincial corporate statutes (collectively, "**Canadian Insolvency and Restructuring Laws**"), the Issuer's ability to enforce security granted by the IESO may be significantly impaired or delayed. In view of the broad discretionary powers of courts under Canadian Insolvency and Restructuring Laws, it is not possible to predict how long payments of Carrying Costs by the IESO or enforcement of any letter of credit or performance guarantee provided by the IESO could be delayed following commencement of a proceeding under Canadian Insolvency and Restructuring Laws by the IESO or whether or when the Issuer would be able to repossess or dispose of the assets over which it holds a security interest. Canadian Insolvency and Restructuring Laws also contemplate the granting of super priority

[~~52~~53] **Note:** Consider mentioning that section 21 of the *Proceedings Against the Crown Act* (Ontario) prohibits execution, attachment and process against the Province.

[~~53~~54] **Note:** Consider mentioning, as a mitigant, that section 22 of the *Proceedings Against the Crown Act* (Ontario), which states that "the Minister of Finance shall pay out of the Consolidated Revenue Fund the amount payable by the Crown, (a) under an order of a court that is final and not subject to appeal; (b) under a settlement of a proceeding in a court…".

[~~54~~55] **Note:** Is there any other information to be added apart from the expiry date?

security interests or charges (which could be in priority to the security of existing secured creditors) on the assets of the debtor company to secure the repayment of any amounts to be borrowed to facilitate the insolvency proceeding, any amounts owing for the fees and costs of professionals involved in the insolvency proceeding, obligations of directors of the company with respect to their statutory liabilities and sometimes other amounts.

Canadian Insolvency and Restructuring Laws also contain provisions enabling an obligor to prepare and file a proposal or a plan of arrangement or reorganization for consideration by all or some of its creditors, to be voted on by the various classes of creditors affected thereby. Such a restructuring proposal or plan of arrangement or reorganization, if accepted by the requisite majority of each class of affected creditors and if approved by the relevant Canadian court, would be binding on all creditors of the applicable obligor within the affected classes, including the Issuer, whether or not the Issuer votes in favour of the restructuring proposal or plan of arrangement or reorganization. Such a proposal or plan of arrangement or reorganization may have the effect of compromising certain rights available to the Issuer with respect to the payment of Carrying Costs or enforcement of any security provided by the IESO under the Master Transfer and Servicing Agreement.

A holder of Senior Notes may experience material payment delays because the source of funds for payment after the Moratorium Period is limited.

A holder of Senior Notes may suffer material payment delays on the Senior Notes if the collateral securing the Senior Notes is insufficient to pay the accrued interest on and the principal amount of those Senior Notes in full. During the Moratorium Period, a holder of Senior Notes must rely for payment of interest on the Senior Notes, and the Issuer must rely for payment of all of its other Carrying Costs, solely upon the IESO who is obligated under the Regulations to pay these Carrying Costs. After the Moratorium Period, the only source of funds for payments of interest on and principal of the Senior Notes will be the collateral. The collateral for the Senior Notes will include:

- the Investment Interest, including the right to impose, bill, collect and receive Clean Energy Adjustment amounts, inclusive of the True-up Amount;
- the cash and investments on deposit in the accounts held by the Indenture Trustee; and
- the Issuer's rights under various contracts described in this confidential shelf offering memorandum and under the FHPA and the Regulations.

The Senior Notes will not be insured or guaranteed by the Province of Ontario, the IESO, OPG or any of their respective affiliates, the Indenture Trustee or any other person or entity, except pursuant to the Limited Guarantee provided by the Province of Ontario upon the occurrence of a Protection Event and delivery by the Indenture Trustee to the Province of Ontario of a written payment demand. See *"Change of Law Protection Agreement"*. The Senior Notes will be ~~nonrecourse~~limited recourse obligations, secured only by the collateral. See *"Capital Markets Platform — Acceleration and Remedies — Limited Recourse"*. Delays in payment on the Senior Notes might result in a reduction in the market value of the Senior Notes and, therefore, the value of a holder's investment in the Senior Notes.

The Senior Notes do not constitute a debt, liability or other obligation of, or interest in, OPG or any of its other affiliates (other than the Issuer). The Senior Notes are not a debt, liability or other obligation of the Province of Ontario or any of its political subdivisions, agencies or instrumentalities.

A holder of Senior Notes must rely for payment of principal of and interest on the Senior Notes solely upon the FHPA and the Regulations, rights to enforcement of the FHPA, the Regulations and of various agreements described in this confidential shelf offering memorandum, collections of Clean Energy Adjustment amounts and cash and investments on deposit in the related accounts held pursuant to the Master Trust Indenture.

The Clean Energy Adjustment may not be billed after April 30, 2047, unless further regulations to extend that date are passed.

The Clean Energy Adjustment may not be billed to Specified Consumers after April 30, 2047, unless further regulations to extend that date are passed. If Clean Energy Adjustment amounts billed through this period are not

sufficient to repay the Senior Notes in full and further regulations to extend this date are not passed, apart from amounts in the capital accounts, if any, no other funds will be available to pay the unpaid balance due on the Senior Notes.

Foreclosure of the Indenture Trustee's lien on the Investment Interest securing the Senior Notes might not be practical and acceleration of the Senior Notes before maturity might have little practical effect.

Under the Master Trust Indenture, the Indenture Trustee on behalf of the holders of Senior Notes and other creditors has the right to foreclose or otherwise enforce the lien granted to the Indenture Trustee by the Issuer on the collateral securing the Senior Notes. However, in the event of foreclosure, there is likely to be a limited market, if any, for the collateral. Therefore, foreclosure might not be a realistic or practical remedy. Moreover, although principal of the Senior Notes will be due and payable upon acceleration of the Senior Notes before maturity, under the Regulations, the amount of the Clean Energy Adjustment may not be increased to take into account such acceleration (subject to limited exceptions depending on the Fair Allocation Amount at the time). As a result, this limitation on increases to the Clean Energy Adjustment at the time of any acceleration of the Senior Notes prior to maturity will result in principal of the Senior Notes being paid on acceleration as funds become available. However, upon such acceleration, the priority of principal payments to creditors of the Issuer will result in all accelerated Senior Notes being repaid in full before any further payments of principal are made to holders of subordinated indebtedness of the Issuer. In the event of an acceleration, holders of Senior Notes may be paid sooner or later than originally expected.

The Issuer may issue multiple Series of Senior Notes secured by the Investment Interest and some decisions affecting holders of Senior Notes may require the approval of all Series.

The Issuer may issue multiple Series of Senior Notes all of which will be secured by the collateral securing the Senior Notes. The Issuer may not issue additional Series of Senior Notes if the issuance would not satisfy the Rating Agency Condition and certain other conditions precedent in the Master Trust Indenture. See *"Capital Markets Platform — Conditions Precedent to Incurrence of Obligations Secured — Issuer Funding Obligations"*. If additional Series of Senior Notes are issued, Clean Energy Adjustment amounts collected by or for the benefit of the Issuer will be prorated among the Series of Senior Notes based on the respective amounts of interest and principal due and payable or required to be accumulated in respect of each Series of Senior Notes. Any issuance of additional Series of Senior Notes by the Issuer could cause reductions or delays in payment on the Senior Notes. In addition, some matters relating to the Senior Notes issued by the Issuer may require the vote of the holders of all Series of Senior Notes. The interests of holders of a particular Series of Senior Notes in these votes might conflict with the interests of the holders of another Series of Senior Notes. Thus, these votes could result in an outcome that is materially unfavorable to holders of a particular Series of Senior Notes.

The Master Trust Indenture contains Events of Default (other than those pertaining to the insolvency of the Issuer or invalidity of the Change of Law Protection Agreement) that can only be declared by Debtholders who hold at least 25% of the outstanding Controlling Class Obligations. If any such Event of Default has occurred and is continuing, Debtholders who hold at least 50% of the outstanding Controlling Class Obligations may accelerate all Issuer Funding Obligations (other than Derivative Funding Obligations). However, it is possible for individual Series of Senior Notes to have their own acceleration events such that those individual Series of Senior Notes may be accelerated while other Series of Issuer Funding Obligations would not be accelerated. In such a case, (i) the allocation of Available Collections to the holders of accelerated Series of Issuer Funding Obligations in a Class would be higher relative to the non-accelerated Series of Issuer Funding Obligations of that Class than it would otherwise be, and (ii) after payment in full of accelerated Senior Notes and other Senior Funding Obligations and once all amounts due and payable on non-accelerated Senior Notes and other Senior Funding Obligations have been satisfied on any principal payment date, amounts remaining for payment of principal would be allocated to the repayment of principal on both accelerated and non-accelerated subordinated debt, as applicable. In certain cases, a declaration of acceleration or an automatic acceleration may also be rescinded by Extraordinary Resolution if (i) the Issuer has paid all overdue interest, principal that has become due (other than by reason of acceleration) on Controlling Class Obligations and other amounts set out in the Master Trust Indenture, and (ii) all Events of Default (other than non-payment of principal) have been cured or waived. See *"Capital Markets Platform — Acceleration and Remedies — General"*.

If a Series of Senior Notes or all Senior Notes are accelerated, a holder of Senior Notes might receive payment of principal sooner or later than expected.

Under certain circumstances it is possible that all outstanding Senior Notes will be accelerated as a Class or that certain Series of Senior Notes will be accelerated while other Series of Senior Notes will not be accelerated. See *"Capital Markets Platform – Acceleration and Remedies"*. The possibility of certain Series of Senior Notes accelerating while other Series of Senior Notes do not accelerate would arise if (i) an Event of Default occurs but Noteholders holding at least 50% of all outstanding Senior Notes do not approve the acceleration of all outstanding Senior Notes, and (ii) holders of Senior Notes of a particular Series approve the acceleration of the Senior Notes of that Series by the requisite majority of holders of that Series as set out in the applicable supplemental indenture for that Series.

If all Senior Notes are accelerated the application of available funds will be as described under *"Capital Markets Platform ~~—~~ Acceleration and Remedies"* for all Senior Notes. It is possible that holders of 50% or more of the outstanding principal balance of all Senior Notes will approve the acceleration of all Senior Notes even if holders of a particular Series of Senior Notes do not vote in favour of the acceleration of the Senior Notes of that Series.

If only certain Series of Senior Notes are accelerated, then the outstanding principal balance of those Series of Senior Notes will become immediately due and payable but the payment due dates of those Series of Senior Notes that have not been accelerated will not change. In this case, the application of available funds will continue as described under *"Capital Markets Platform -- Payment Waterfalls Prior to Acceleration"*.

Where all Series of Senior Notes or only certain Series of Senior Notes are accelerated, available funds that would otherwise be used to pay the principal amount of subordinated indebtedness will be applied to repay principal of the accelerated Senior Notes. This could result in a holder of Senior Notes that have been accelerated receiving payment of principal sooner than expected. If a Series of Senior Notes has not been accelerated, the payment of principal on such Senior Notes should not occur earlier than expected as the payment due dates for such Senior Notes will not have been accelerated.

Where all Series of Senior Notes or only certain Series of Senior Notes are accelerated, available funds that would otherwise be used to pay the principal amount of the Senior Notes in accordance with the original repayment schedules of such Senior Notes may be applied to repay principal of the accelerated Senior Notes *pari passu* with the principal due on all outstanding Senior Notes (subject to the payment priority given to Warehouse Funding Obligations). If accelerated Senior Notes were not expected to be repaid before a particular Series of Senior Notes at the time the accelerated Senior Notes were issued, the acceleration of such Senior Notes could result in the holder of a particular Series of Senior Notes receiving payment of principal later than expected.

The Issuer may have a co-ownership interest in the Investment Asset with other Financing Entities.

The FHPA authorizes the establishment of one or more Financing Entities that may incur Funding Obligations for the purpose of acquiring an Investment Interest. The Master Trust Indenture does not contain any restrictions on the establishment of other Financing Entities or any restrictions on the transfer by the IESO of a specified portion of the Regulatory Asset to other Financing Entities. If additional Funding Obligations are incurred by other Financing Entities to acquire an Investment Interest, Clean Energy Adjustment amounts collected by or for the benefit of the Issuer will be prorated among all Investment Interest owners based on the respective amounts of Clean Energy Adjustment amounts invoiced and not yet paid. Any issuance of Funding Obligations by other Financing Entities could cause reductions or delays in payment on the Senior Notes.[~~55~~56]

[~~55~~56] **Note:** Consider explaining under this risk factor that the Investment Asset is a bundle of rights and interests held collectively by all investment interest owners.

If the Clean Energy Adjustment amounts and other funds held in the Issuer Accounts results in investment losses or the investments become illiquid, a holder of Senior Notes might receive payment of principal of and interest on the Senior Notes later than expected.

Funds held in the Issuer Accounts will be invested in Eligible Investments. Eligible Investments include, among other categories, money market funds having a rating in the highest investment category from each applicable Rating Agency. Although investments in these money market funds have traditionally been viewed as highly liquid with a low probability of principal loss, illiquidity and principal losses have been experienced by investors in certain of these funds as a result of disruptions in the financial markets in recent years. If investment losses or illiquidity are experienced, a holder of Senior Notes might experience a delay in payments of principal and interest and a decrease in the value of their investment in the Senior Notes.

Servicing, Operating and Consumer Risks

Payments on the Senior Notes depend on the performance of Electricity Vendors and the IESO.

The Issuer's receipt of Clean Energy Adjustment amounts, which will be used to make payments on the Senior Notes, will depend in part on the skill and diligence of Electricity Vendors and the IESO and their respective successors in performing their respective duties under the FHPA, the Regulations and, with respect to the IESO, the Master Transfer and Servicing Agreement.

The FHPA, the Regulations and the Program Agreements impose new duties and obligations of the IESO and Electricity Vendors. There can be no assurances that the new duties and obligations of the IESO and the Electricity Vendors will be assumed and implemented without difficulty and in accordance with the provisions of the FHPA, the Regulations and the Program Agreements. If the IESO ceases to perform, or inadequately performs, its collection, remittance, forecasting and other functions under the terms of the FHPA, the Regulations and the Master Transfer and Servicing Agreement, it might be difficult to enforce these obligations against the IESO. While the Indenture Trustee has the right to replace the IESO, as servicer, on an Event of Default upon receipt of an Ordinary Resolution, it might be difficult to find a replacement for the IESO or a successor servicer. Also, any successor servicer might have less experience and ability than the IESO and might experience difficulties in collecting Clean Energy Adjustment amounts or forecasting consumption, resulting in delays or disruptions to the setting and collection of the Clean Energy Adjustment. Any successor servicer would likely charge fees for the provision of such services and such fees could be material.

If an Electricity Vendor or the IESO fails to collect or remit sufficient Clean Energy Adjustment amounts for any reason, then the IESO's payments to the Issuer in respect of the Clean Energy Adjustments might be delayed or reduced. In that event, payments on the Senior Notes might be delayed or reduced. In addition, any person into which the IESO may be merged, converted or amalgamated or that may succeed to the properties and assets of the IESO substantially as a whole will assume the role of servicer under the Master Transfer and Servicing Agreement, subject only to the satisfaction of the conditions set forth therein. These conditions do not include either the consent of holders of Senior Notes or satisfaction of the Rating Agency Condition.

Payments on the Senior Notes depend on the performance of OPG as Financial Services Manager and as Manager of the Issuer.

The FHPA, the Regulations and the Program Agreements impose new duties and obligations of OPG, as Financial Services Manager and as Manager of the Issuer. There can be no assurances that the new duties and obligations of OPG will be assumed and implemented without difficulty and in accordance with the provisions of the FHPA, the Regulations and the Program Agreements. If OPG, as Financial Services Manager, ceases to perform, or inadequately performs, its statutory duties under the FHPA and the Regulations, including determining the Clean Energy Adjustment (inclusive of the True-Up Amount), the Indenture Trustee will have no right to replace OPG as Financial Services Manager. If OPG ceases to perform, or inadequately performs, its management duties under the Management Agreement, the Indenture Trustee has the right to replace the Manager on an Event of Default upon receipt of an Ordinary Resolution but it might be difficult to find a replacement for OPG or a successor manager. Also, any successor manager might have less experience and ability than OPG, resulting in delays or disruptions to

the setting and collection of the Clean Energy Adjustment. Any successor manager would likely charge fees for the provision of such services and such fees could be materially higher than the fees charged by OPG.

Inaccurate consumption forecasting or unanticipated delinquencies or write-offs might reduce or delay scheduled payments on the Senior Notes.

Clean Energy Adjustment amounts will be calculated in part based upon a forecast of Specified Consumer usage to be newly developed by the IESO[, adjusted for expected billing lags and charge-offs] [including the effect of delinquencies and write-offs] ***[Confirm whether the IESO forecast takes into account items noted in square brackets.]***. Under the Regulations, the IESO is required to provide to the OEB forecast information regarding electricity consumption of Specified Consumers. The amount and the rate of the Clean Energy Adjustment will depend in part on actual electricity usage and the amount of collections and write-offs for Specified Consumers.[~~56~~57] If the IESO or a successor inaccurately forecasts electricity consumption or if OPG uses inaccurate consumer delinquency or write-off data when setting or adjusting the Clean Energy Adjustment, there could be a shortfall or material delay in collections, which might result in missed or delayed payments of principal and interest on the Senior Notes.

Inaccurate forecasting of electricity consumption by the IESO might result from, among other things unanticipated weather, resulting in less electricity consumption than forecast; general economic conditions being worse than expected, causing Specified Consumers to reduce their electricity consumption; the occurrence of a natural disaster, wind storm or an act of terrorism, cyber-attack or other catastrophic event unexpectedly disrupting electrical service and reducing electricity consumption; unanticipated changes in the market structure of the electric industry; Specified Consumers unexpectedly ceasing business or departing from the Province of Ontario; dramatic and unexpected changes in energy prices resulting in decreased electricity consumption; Specified Consumers consuming less electricity than anticipated because of increased energy prices, unanticipated increases in conservation efforts or unanticipated increases in electricity consumption efficiency; differences or changes in forecasting methodology; or Specified Consumers switching to alternative sources of energy, including self-generation or co-generation of electric power in some cases without using Ontario's transmission or distribution system. Self-generators that receive no transmission or distribution service from the Province of Ontario are not liable for the Clean Energy Adjustment. Neither the FHPA nor the Regulations require exit fees to be charged to any Specified Consumers that might leave the grid to self-generate.

Inaccurate forecasting of delinquencies or write-offs by OPG could result from, among other things unexpected deterioration of the economy, the occurrence of a natural disaster, an act of war or terrorism or other catastrophic events causing greater write-offs than expected or forcing Electricity Vendors to grant additional payment relief to Specified Consumers; the failure of Electricity Vendors to submit accurate and timely information to the IESO regarding their collections and write-offs; an unexpected change in law that makes it more difficult for Electricity Vendors to terminate service to nonpaying Specified Consumers, or that requires Electricity Vendors to apply more lenient credit standards for Specified Consumers.

Changes to billing and collection practices may reduce the amount of funds available for payments on the Senior Notes.

The methodology for determining the amount of the Clean Energy Adjustment invoiced to each Specified Consumer is specified in the FHPA and the Regulations. None of OPG, the IESO or any Electricity Vendor, as it performs its billing and collection functions on the Issuer's behalf, may change this methodology. However, subject to applicable law, tariff and regulatory requirements, billing and collection arrangements with each Specified Consumer may be changed in a manner that delays or reduces the payments to the Issuer in respect of the Clean Energy Adjustment. For example, an Electricity Vendor's conditions of service may permit it to offer equal monthly billing plans to its consumers thereby delaying payments from one month to the next during the year or to enter into arrangements for the payment of arrears. In that event, collection of the Clean Energy Adjustment may be delayed or reduced until an adjustment is made.

[~~56~~57] **Note:** Please confirm.

Limits on rights to terminate service to Specified Consumers might make it more difficult to collect the Clean Energy Adjustment.

To the extent that Specified Consumers do not pay for their electricity service, Electricity Vendors will not be able to collect the Clean Energy Adjustment from these Specified Consumers. Electricity Vendors have the ability to terminate service for non-payment subject to the terms of their conditions of service, which conditions must be consistent with the OEB's rules regarding disconnection. Under OEB rules, Electricity Vendors are prohibited from disconnecting or threatening to disconnect homes for non-payment during the winter from November 15 to April 30 every year. Historical rates of non-payment are included in the calculations of the Clean Energy Adjustment, but increases in the rates of non-payment would reduce the Clean Energy Adjustment until it is adjusted through the True-up Amount in a subsequent Reference Period.

It might be difficult for the Issuer to collect the Clean Energy Adjustment from Specified Consumers

Under the FHPA, the Issuer may bring an action against a Specified Consumer for non-payment of the Clean Energy Adjustment, but only an Electricity Vendor may terminate service for failure to pay the Clean Energy Adjustment.[~~57~~58] The FHPA provides that partial payment of electricity invoices shall be allocated pro rata among the Clean Energy Adjustment and other charges on the invoice. Since the Issuer does not have the threat of termination of service available to enforce payment of the Clean Energy Adjustment, it would need to rely on the Electricity Vendor to threaten to terminate service for nonpayment of other portions of the electricity invoice. This inability might reduce the value of a holder's investment in the Senior Notes.

Indemnification obligations of OPG and the IESO are limited and might not be sufficient to protect the investments in the Senior Notes.

OPG will be obligated under the Management Agreement to indemnify the Issuer and the Indenture Trustee, for itself and on behalf of the holders of Senior Notes and other creditors, only in specified circumstances. Likewise, the IESO will be obligated under the Master Transfer and Servicing Agreement and the Acknowledgement and Indemnity Agreement to indemnify the Issuer and the Indenture Trustee, for itself and on behalf of the holders of Senior Notes and other creditors, only in specified circumstances.

Furthermore, neither OPG nor the IESO may have sufficient funds available to satisfy its indemnification obligations, and the amount of any indemnification paid by OPG or the IESO, as applicable, might not be sufficient for holders of Senior Notes to recover all of their investment in the Senior Notes. In addition, if OPG or the IESO becomes obligated to indemnify holders of Senior Notes, the ratings on the Senior Notes might be downgraded as a result of the circumstances causing the breach and the fact that holders of Senior Notes will be unsecured creditors of OPG or the IESO, as applicable, with respect to any of these indemnification amounts. Neither OPG nor the IESO will indemnify any person for any loss, damages, liability, obligation, claim, action, suit or payment resulting solely from a downgrade in the ratings on the Senior Notes, or for any consequential damages, including any loss of market value of the Senior Notes resulting from a default or a downgrade of the ratings of the Senior Notes.

Delinquent or partial payments of electricity bills may make payments on the Senior Notes occur later than expected.

The amount and the rate of collection of the Clean Energy Adjustment, including the True-up Amount, will impact whether there is a delay in the scheduled payments on the Senior Notes. If the Clean Energy Adjustment amounts are collected at a slower rate than expected, OPG might have to make adjustments to the Clean Energy Adjustment for a subsequent Reference Period through the True-Up Amount. If those adjustments are not timely and accurate, there may be a delay in payments of principal and interest and a decrease in the value of the Senior Notes.

Power outages could impair payment of the Senior Notes.

Ontario experiences seasonal conditions typical of southeastern Canada. Summers are usually hot with high temperatures in excess of 20°C. Winters include snow and icing conditions that can be damaging to overhead power

[~~57~~58] **Note:** Please confirm source/ conform to wording in FHPA.

lines. Transmission and/or distribution and generation facilities could be damaged depending on weather conditions and usage of electricity could be interrupted temporarily or for long periods of time, reducing the Clean Energy Adjustment amounts collected in one or more Reference Periods.

Technological changes that make alternative energy sources more attractive in the future or significant population fluctuations may result in fewer Specified Consumers from whom to collect the Clean Energy Adjustment.

Technological developments and/or tax or other economic incentives might result in the introduction of economically attractive, more fuel-efficient, more environmentally-friendly and/or more cost-effective alternatives to purchasing electricity through Electricity Vendors for increasing numbers of Specified Consumers. Manufacturers of self-generation facilities may develop smaller-scale, more fuel-efficient on-site generating and/or storage units that can be cost-effective options for a greater number of Specified Consumers. Moreover, an increase in self-service power may result if extreme weather conditions result in regular shortages of grid-supplied energy or if other factors cause grid-supplied energy to be less reliable. Specified Consumers who self-generate their electricity may use it to offset, or eliminate, their consumption from the grid thereby reducing, or eliminating, the Clean Energy Adjustment amounts payable by such Specified Consumers. Technological developments might allow greater numbers of Specified Consumers to reduce or even altogether avoid the payment of Clean Energy Adjustment amounts under such provisions through on-site generation, including where coupled with on-site storage capacity. This might reduce the kilowatt-hours of electric energy delivered to Specified Consumers by means of an Electricity Vendor's system, thereby causing Clean Energy Adjustment charges to the remaining Specified Consumers to increase. Such increases may reduce the collectability of the Clean Energy Adjustment.

Unexpected significant population decreases in the Province of Ontario or Specified Consumers unexpectedly ceasing business or departing from the Province of Ontario may adversely affect the amount of the Clean Energy Adjustment to be invoiced, collected and recovered from Specified Consumers. The decrease in the population of the Province of Ontario may result in fewer Specified Consumers from whom to collect the Clean Energy Adjustment. The increased impact on the remaining Specified Consumers could lead to increased potential consumer defaults and delays, billing lags and write-offs or variations in billing due to variations in electricity consumption.

Insolvency-Related Risks

If the Issuer were to become subject to Canadian Insolvency and Restructuring Laws, the Indenture Trustee's ability to enforce security granted by the Issuer may be significantly impaired or delayed.

Trusts such as the Issuer ordinarily cannot seek protection under the principal Canadian Insolvency and Restructuring Laws (other than a receivership). However, in view of the broad discretionary powers of courts under Canadian Insolvency and Restructuring Laws, the courts' inherent jurisdiction and otherwise, it is not possible to state with certainty that the Issuer could not become subject to Canadian Insolvency and Restructuring Laws. If the Issuer were to become subject to Canadian Insolvency and Restructuring Laws, the Indenture Trustee's ability to enforce security granted by the Issuer may be significantly impaired or delayed. It is not possible to predict how long payments under the Senior Notes could be delayed following commencement of a proceeding under Canadian Insolvency and Restructuring Laws by the Issuer or whether or when the Indenture Trustee would be able to enforce upon or dispose of the assets over which it holds a security interest. Canadian Insolvency and Restructuring Laws also contemplate the granting of super priority security interests or charges (which could be in priority to the security of existing secured creditors) on the assets of the debtor company to secure the repayment of any amounts to be borrowed to facilitate the insolvency proceeding, any amounts owing for the fees and costs of professionals involved in the insolvency proceeding, obligations of directors of the company with respect to their statutory liabilities and sometimes other amounts.

Canadian Insolvency and Restructuring Laws also contain provisions enabling an obligor to prepare and file a proposal or a plan of arrangement or reorganization for consideration by all or some of its creditors, to be voted on by the various classes of creditors affected thereby. Such a restructuring proposal or plan of arrangement or reorganization, if accepted by the requisite majority of each class of affected creditors and if approved by the relevant Canadian court, would be binding on all creditors of the applicable obligor within the affected classes, including the Indenture Trustee and the Noteholders, whether or not the Indenture Trustee or any holders of Senior Notes votes in favour of the restructuring proposal or plan of arrangement or reorganization. Such a proposal or plan

of arrangement or reorganization may have the effect of compromising certain rights available to the Indenture Trustee and the holders of Senior Notes under the Master Trust Indenture or in respect of the collateral.

If the IESO were to become subject to Canadian Insolvency and Restructuring Laws, the transfers between the IESO and the Issuer pursuant to the Master Transfer and Servicing Agreement may not be respected as true sales of the Investment Interest.

Ordinarily, the interests of the Issuer as transferee of the Investment Interest may be subordinate to statutory deemed trusts and other non-consensual liens, trusts and claims created or imposed by statute or rule of law on the property of the IESO arising prior to the time an Investment Interest is transferred to the Issuer, which could reduce the amounts that may be available to the Issuer and, consequently, the holders of Senior Notes. Section 27(3) of the FHPA provides that at the time of the transfer to a Financing Entity under the FHPA, such transfer shall be deemed to have been perfected, vested, valid and binding against the IESO and all other persons who have claims of any kind against the IESO. Section 27(4) of the FHPA provides that section 27(3) applies regardless of whether the persons who have claims have received notice of the transfer and the property rights and interests acquired by the transferee shall have priority over any liens in favour of those persons. However, in the event that the IESO becomes insolvent, its insolvency would be subject to federal bankruptcy and insolvency legislation and the effect of these provisions of the FHPA in such circumstances is untested. The IESO will treat the transactions described herein as a transfer of the Regulatory Asset to the Issuer. Such transfers will be made in accordance with Section 26 of the FHPA. Section 27(1) of the FHPA provides that a transfer of a specified portion of the Regulatory Asset under section 26 constitutes a valid and enforceable absolute assignment, conveyance and sale of the corresponding Investment Interest to the transferee. As a transfer, the Investment Interest would not form part of the assets of the IESO and would not be available to the creditors of the IESO. However, with respect to certain insolvency events relating to the IESO, it is possible that an insolvency administrator or a creditor of the IESO may attempt to argue that the transactions between the IESO and the Issuer are not true sales of the Investment Interest. This position, if accepted by a court applying federal bankruptcy and insolvency laws, could prevent timely or ultimate payment of amounts due to the Issuer and, consequently, due from the Issuer to holders of Senior Notes.

These risks are in addition to the insolvency risks of the IESO noted above under *"Risks Associated with the Unusual Nature of the Investment Asset"*.

If the IESO or any Electricity Vendor were to become subject to Canadian Insolvency and Restructuring Laws, collections that have been commingled may be unrecoverable and the Issuer's ability to enforce its rights against the IESO may be significantly impaired or delayed.

While the IESO is the servicer under the Master Transfer and Servicing Agreement, collections held by the IESO are to be held by the IESO in a segregated account. Until Clean Energy Adjustments are remitted to the IESO by Electricity Vendors, amounts collected by the Electricity Vendors are to be held by Electricity Vendors in segregated accounts. If the IESO or any Electricity Vendor fails to hold collections in a segregated account, then to the extent that funds are commingled and used for the benefit of the IESO or such Electricity Vendor prior to making required deposits, in the event of the liquidation, insolvency, receivership or administration or other proceeding under Canadian Insolvency and Restructuring Laws of the IESO or the Electricity Vendor, the ability of the Issuer to enforce its rights to the collections in a timely manner may be adversely affected and collections that have been commingled may be unrecoverable. In the event of the insolvency of the IESO, the right of the Issuer under the Master Transfer and Servicing Agreement to appoint a replacement servicer may be stayed or prevented.

These risks are in addition to the insolvency risks of the IESO noted above under *"Risks Associated with the Unusual Nature of the Investment Asset"*.

If OPG were to become subject to Canadian Insolvency and Restructuring Laws, the Issuer's ability to enforce its rights against the Manager may be significantly impaired or delayed and the Issuer's assets and liabilities may be substantively consolidated with those of OPG.

Section 53.1 of the *Electricity Act, 1998* (Ontario), as amended by the FHPA, provides that, regardless of whether a Financing Entity is or is not a subsidiary of OPG: (a) the assets and liabilities of the Financing Entity shall not form part of the assets and liabilities of OPG or any of its subsidiaries (excluding the Financing Entity if it is a subsidiary);

and (b) the assets and liabilities of OPG or any of its subsidiaries (excluding the Financing Entity if it is a subsidiary) shall not form part of the assets and liabilities of the Financing Entity. However, in the event that OPG becomes insolvent, its insolvency would be subject to federal bankruptcy and insolvency legislation and the effect of these provisions of the *Electricity Act, 1998* (Ontario), as amended by the *Fair Hydro Act, 2017*,[~~58~~59] in such circumstances is untested. In particular, in the event of the liquidation, insolvency, receivership or administration or other proceeding under Canadian Insolvency and Restructuring Laws of OPG, the ability of the Issuer to enforce certain of its rights in and to the Investment Interest in a timely manner may be adversely affected. Such affected rights may include the right to appoint a replacement Manager. It is possible that the creditors of OPG may attempt to substantively consolidate the assets and liabilities of OPG and the Issuer. The Issuer and OPG have taken steps to minimize this risk. However, no assurance can be given that, in the case of the insolvency of OPG, a court would not order that the Issuer's assets and liabilities be substantively consolidated with those of OPG. Such substantive consolidation would result in all creditors of OPG and the Issuer being paid out of a common pool of assets, with no distinction as to which assets are property of OPG and which assets are property of the Issuer, and could cause payment of the claims of the beneficial owners of the Senior Notes to be subject to substantial delay and to adjustment in timing and amount.

If the Issuer Trustee were to become subject to Canadian Insolvency and Restructuring Laws, the assets and liabilities of the Issuer may be substantively consolidated with the Issuer Trustee.

In the case of the insolvency of the Issuer Trustee, it is possible that the creditors of the Issuer Trustee may attempt to argue that the assets of the Issuer are held by the Issuer Trustee in its personal capacity (and not as trustee of the Issuer) and are to be available to the creditors of the Issuer Trustee. Assuming that the Issuer Trustee deals with the assets of the Issuer in accordance with the provisions of the Declaration of Trust, the assets of the Issuer would not constitute property of the Issuer Trustee available for distribution to the creditors of the Issuer Trustee. An insolvency administrator appointed with respect to the Issuer Trustee may be able to recover from the property of the Issuer a portion of its costs that are incurred until a replacement for the Issuer Trustee, as trustee of the Issuer, is appointed or pending any proceeding in respect of the property of the Issuer. Such costs may exceed the compensation provided for in the Declaration of Trust.

If a Specified Consumer were to become subject to Canadian Insolvency and Restructuring Laws, the Issuer's ability to collect Clean Energy Adjustment amounts from such Specified Consumer may be adversely affected.

The application to a Specified Consumer of Canadian Insolvency and Restructuring Laws and related provincial laws could also affect the ability to collect the Clean Energy Adjustments due for the period prior to the insolvency. Federal bankruptcy laws would generally discharge bankrupt Specified Consumers who are individuals of their obligation to pay Clean Energy Adjustment amounts due for the period prior to the individual being discharged from bankruptcy.

If amounts in the Issuer Accounts for any Series are invested with entities that become subject to insolvency proceedings, the Issuer's ability to make payments to holders of Senior Notes may be adversely affected.

Amounts that are on deposit from time to time in the Issuer Accounts for any Series may be invested in Eligible Investments. If insolvency proceedings were to be commenced by or against any entity with which an Eligible Investment is made or which is an issuer, obligor or guarantor of any Eligible Investment, the ability of the Indenture Trustee to enforce its rights in respect of any such Eligible Investment and the ability of the Issuer to make payments to holders of Senior Notes in a timely manner may be adversely affected. In order to reduce this risk, the Eligible Investments must satisfy certain ratings criteria. See *"Rating Agency Condition"*.

[~~58~~59] The *Fair Hydro Act, 2017* (Ontario), which provided in Schedule 1 the *Ontario Fair Hydro Plan Act, 2017*, amends two other statutes: the *Electricity Act, 1998* (see section 43) and the *Ontario Energy Board Act, 1998* (see section 44).

Other Risks

The credit ratings are not an indication of the expected rate of payment of principal on the Senior Notes.

The Senior Notes will be rated by one or more established rating agencies. A rating is not a recommendation to buy, sell or hold the Senior Notes. The ratings merely analyze the probability that the Issuer will repay the total principal amount of each series of Senior Notes at its final principal payment date (which is later than the Principal Payment Date(s)) and will make timely interest payments. The ratings are not an indication that the rating agencies believe that principal payments are likely to be paid on time according to any expected sinking fund schedule. Thus, the Issuer might repay the principal of a holder of Senior Notes later than expected, which might materially reduce the value of a holder's investment in the Senior Notes.

If the ratings on the Senior Notes are withdrawn or revised downward, the value of a holder's investment in the Senior Notes may be adversely affected.

There is no assurance that any credit rating will remain in effect for any given period of time. The ratings on the Senior Notes may be withdrawn or revised downward at any time without notice, which may have an adverse effect on the market price of the Senior Notes. A rating is not a recommendation to buy, sell or hold the Senior Notes. The ratings merely analyze the probability that the Issuer will repay the total principal amount of each series of Senior Notes at its final principal payment date (which is later than the Principal Payment Date(s)) and will make timely interest payments. The ratings are not an indication that the rating agencies believe that principal payments are likely to be paid on time according to any expected sinking fund schedule. Ratings on the Senior Notes may be lowered, qualified or withdrawn at any time without notice.

The credit ratings of the IESO, OPG and the Province of Ontario might affect the market value of the Senior Notes.

The Senior Notes will not be insured or guaranteed by the Province of Ontario, IESO, OPG or any of their respective affiliates or any other person or entity, except that the Province of Ontario has agreed to provide a limited guarantee in respect of the Senior Notes following the occurrence of certain events. See *"Change of Law Protection Agreement"*. Although neither the IESO nor OPG are obligors in respect of the Senior Notes, a downgrading of the current credit ratings of the IESO, OPG or the Province of Ontario might have an adverse effect on the market value of the Senior Notes, particularly, with respect to the IESO, during the Moratorium Period when no Clean Energy Adjustments are permitted to be collected from Specified Consumers. Credit ratings might change at any time. A rating agency has the authority to revise or withdraw its rating based solely upon its own judgment.

The absence of an established market for the Senior Notes might limit the ability to resell or refinance the Senior Notes.

There is no public market for the Senior Notes, and the Issuer does not intend to apply for a listing of the Senior Notes on any stock exchange. There can be no assurance as to the liquidity of the trading market for the Senior Notes or that a trading market for the Senior Notes will develop.

There is currently no secondary market for the Senior Notes. There can be no assurance that a secondary market will develop or, if a secondary market does develop, that it will provide holders of such Senior Notes with liquidity for their investment or that it will continue for the term of such Senior Notes. Accordingly, purchasers of the Senior Notes may be required to bear the financial risk of investing in the Senior Notes until the maturity date of the Senior Notes.

If an active market does develop for the Senior Notes, the market price on the Senior Notes will depend on many factors including, but not limited to, (i) the Issuer's credit rating and the credit rating of the Senior Notes; (ii) the prevailing interest rates being paid on similar securities; (iii) the Issuer's financial condition and future prospects; and (iv) the overall condition of the economy and the financial markets. The condition of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations could have an adverse effect on the market price of the Senior Notes.

The Financial Services Manager has the ability to determine whether to refinance Senior Notes maturing after May 2024 through the issuance of another Series of Senior Notes. However, there can be no assurance that Senior Notes can be refinanced on or before their applicable Principal Payment Default Date.

Restrictions on resale might limit the ability to resell the Senior Notes.

The Senior Notes may not be offered or sold, directly or indirectly, in Canada or to or for the account of any Canadian resident except, in the case of sales made in any province of Canada, pursuant to an exemption from the prospectus requirements under applicable securities laws. The Issuer currently does not intend to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Senior Notes to the public in any province of Canada in connection with any Offering of Senior Notes. As a result, the Senior Notes purchased pursuant to this confidential shelf offering memorandum will be subject to restrictions on resale, and may only be resold if a further statutory exemption may be relied upon by the investor or if an appropriate discretionary order or consent is obtained pursuant to applicable securities laws. See "Restrictions on Resale".

REPRESENTATIONS AND AGREEMENTS OF PURCHASERS

The distribution of the Senior Notes in Canada is being made on a private placement basis. By purchasing Senior Notes and accepting a purchase confirmation in respect thereof, a purchaser in Canada will be deemed to have represented to the Issuer and the Agents that, as at the date of such purchaser's purchase of Senior Notes:

(a) none of the Issuer, the Agents or any person representing the Issuer or the Agents has made any representations to it (written or oral) with respect to the Issuer, any Offering or sale of the Senior Notes, other than the information contained in this confidential shelf offering memorandum which has been delivered to it;

(b) it is resident in a province of Canada (each an "**Offering Jurisdiction**") and is entitled under applicable securities laws of such Offering Jurisdiction to purchase the Senior Notes without the benefit of a prospectus qualified under those securities laws and any act, solicitation, conduct or negotiation directly or indirectly in furtherance of such purchase and sale has occurred only in one of the provinces of Canada;

(c) the purchaser has been provided the opportunity to receive a copy of the Master Trust Indenture and each of the Supplemental Indentures;

(d) the purchaser has reviewed and acknowledges the terms referred to below under the section entitled "Restrictions on Resale";

(e) it is basing its investment decision solely on this confidential shelf offering memorandum and not on any other information or statement concerning the Issuer or any Offering and it has not become aware of any advertisement in printed media of general and regular paid circulation (or other printed public media), radio, television or telecommunications or other form of advertisement (including electronic display) with respect to the distribution of the Senior Notes;

(f) it has been independently advised as to restrictions with respect to trading in the Senior Notes imposed by applicable securities laws in the jurisdiction in which it resides, confirms that no representation (written or oral) has been made to it by or on behalf of the Issuer or an Agent with respect thereto, acknowledges that it is aware of the characteristics of the Senior Notes, the risks relating to an investment in the Senior Notes and of the fact that it may not be able to resell the Senior Notes except in accordance with limited exemptions under applicable securities legislation and regulatory policy and compliance with the other requirements of applicable law; and it agrees that any certificates representing the Senior Notes will bear a legend indicating that the resale of such Senior Notes is restricted; the purchaser further acknowledges that it has been advised to consult its own legal counsel in its jurisdiction of residence for full particulars of the resale restrictions applicable to it and has reviewed and acknowledges the terms referred to under the

heading "Restrictions on Resale"; and the purchaser further acknowledges that if it resells the Senior Notes in compliance with applicable law it will give notice to the subsequent transferee during the restricted period noted under the heading "Restrictions on Resale" of such restrictions;

(g) it acknowledges the risks relating to an investment in the Senior Notes and it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its prospective investment in the Senior Notes, it and any accounts for which it is acting have the ability to bear the economic risks of the prospective investment and can afford the complete loss of such investment and it acknowledges that it and any accounts for which it is acting may be required to bear the financial risks of this investment for an indefinite period of time;

(h) it acknowledges that: (i) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Senior Notes; and (ii) there is no government or other insurance covering the Senior Notes;

(i) it acknowledges that no person has made any oral or written representation to it that any person will re-sell or re-purchase the Senior Notes, or refund any part or all of the purchase price of the Senior Notes, or that the Senior Notes will be listed on any exchange or quoted on any quotation and trade reporting system, or that any application has been or will be made to list the Senior Notes on any exchange or quote the notes on any quotation and trade reporting system, and no person has given any undertaking to such purchaser relating to the future value or price of the Senior Notes;

(j) none of the funds being used to purchase the Senior Notes are, to the best of the purchaser's knowledge, (i) proceeds obtained by or derived, directly or indirectly, as a result of illegal activities, or (ii) being tendered on behalf of a person or entity who has not been identified to the purchaser;

(k) the funds being used to purchase the Senior Notes and advanced by or on behalf of the purchaser to the Agents do not represent proceeds of crime for the purposes of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada);

(l) the purchaser is responsible to obtain independent investment, legal and tax advice with respect to its purchase of the Senior Notes and accordingly has had the opportunity to acquire an understanding of the transaction described in this confidential shelf offering memorandum and the meanings of all the terms contained herein relevant to such purchase for the purpose of giving acknowledgements, representations and agreements under this confidential shelf offering memorandum;

(m) it (i) is an "accredited investor" (as such term is defined in NI 45-106 and, in the case of a purchaser resident in Ontario, section 73.3(1) of the *Securities Act* (Ontario)) that is not an individual, unless such individual is also a "permitted client" (as such term is defined in NI 31-103); (ii) is either (A) purchasing the Senior Notes as principal, (B) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation of a jurisdiction of Canada (other than a trust company or trust corporation registered solely under the laws of the Province of Prince Edward Island) or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be, or (C) a person acting on behalf of a fully managed account managed by that person, if that person is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or foreign jurisdiction; and (iii) was not created or used solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the definition of "accredited investor" in NI 45-106;

(n) the purchaser has provided applicable certifications and/or other information or documentation to the Agents and the Issuer to evidence its status and criteria for compliance with the relevant category of "accredited investor," understands that the Agents and the Issuer may be required to

verify that the purchaser satisfies such criteria, and that the purchaser may be required to provide additional information or documentation to the Agents and the Issuer to evidence such compliance;

(o) the purchaser, if resident in the Province of Québec, has agreed that all documents relating to such purchase be in English only, as more particularly described under the heading "Language of Documents". *L'acquéreur, s'il réside dans la Province de Québec, accepte que tous les documents liés à son acquisition soient en langue anglaise uniquement, tel qu'il est plus amplement décrit sous la rubrique «Langue des documents»*;

(p) it will execute, deliver and file such reports, undertakings and other documents relating to his, her or its purchase of the Senior Notes as may be required by applicable securities laws, regulations and rules, or assist the Issuer and the Agents, as applicable, in obtaining and filing such reports, undertakings and other documents;

(q) it is not a U.S. person (as such term is defined in Regulation S under the U.S. Securities Act), none of the Senior Notes are being or will be acquired, directly or indirectly, for the account or benefit of a U.S. person, the purchaser was not offered any of the Senior Notes in the United States, the purchaser did not execute or deliver any agreement in connection herewith in the United States, and the purchaser is aware that the Senior Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any State of the United States and that the Senior Notes may not be offered or sold in the United States without registration under the U.S. Securities Act or except in compliance with the requirements of an exemption from registration;

(r) if the purchaser is acquiring any Senior Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the acknowledgements, representations and agreements contained herein on behalf of each such account;

(s) the offer and sale of the Senior Notes is conditional upon the offer and sale being exempt from the prospectus filing requirements of applicable securities law;

(t) the purchaser acknowledges that the Issuer may be required to disclose to applicable securities regulatory authorities the identity of the purchaser and any person with a beneficial interest in the Senior Notes;

(u) except for any rating reports that may have been issued by the applicable Rating Agencies, no agency, governmental authority, regulatory body, stock exchange or other entity has made any finding or determination as to the merit for investment of, nor have any such agencies or governmental authorities, regulatory bodies, stock exchanges or other entities made any recommendation or endorsement with respect to the Senior Notes;

(v) if the purchaser is:

(i) a corporation, it is duly incorporated and is validly subsisting under the laws of its jurisdiction of incorporation and has all requisite legal and corporate power and authority to purchase the Senior Notes and to make such representations and agreements as contemplated herein and has obtained all necessary approvals in respect thereof;

(ii) a partnership, syndicate or other form of unincorporated organization, it has the necessary legal capacity and authority to purchase the Senior Notes and to make such representations and agreements as contemplated herein and has obtained all necessary approvals in respect thereof; or

(iii) an individual, he or she is of the full age of majority, is a "permitted client" as such term is defined in NI 31-103 and is legally competent to purchase the Senior Notes and to make such representations and agreements as contemplated herein;

(w) the purchaser is not an "insider" of the Issuer (within the meaning of Canadian securities laws) and is not registered or required to be registered as a dealer, adviser or otherwise under the securities laws of any province of Canada (unless in either case it has specifically provided written advice to the contrary to the Issuer and to the Agents);

(x) it will, if requested by the Issuer or the Agent from whom the purchase confirmation is received, provide evidence of the basis of its above representations; and

(y) the Issuer, the Agents and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and it agrees that if any of the acknowledgements, representations or agreements deemed to have been made by its purchase of the Senior Notes are no longer accurate, it shall promptly notify the Issuer and the Agents for the applicable Offering of Senior Notes.

In addition, each purchaser of Senior Notes, by purchasing Senior Notes and accepting a purchase confirmation in respect thereof, represents to the Issuer and the Agents for the applicable Offering of Senior Notes that the purchaser:

(a) has been notified by the Issuer:

(i) that the Issuer is required to provide information pertaining to the purchaser of Senior Notes required to be disclosed in Schedule 1 of Form 45-106F1 under NI 45-l06 (including its name, address, telephone number and the number and value of securities purchased), which Form 45-106F1 the Issuer is required to file under NI 45-106;

(ii) that such personal information will be delivered to the applicable Canadian securities regulatory authorities (the "**Commissions**") in accordance with NI 45-106;

(iii) that such personal information is being collected indirectly by the applicable Commission under the authority granted to it in securities legislation;

(iv) that such personal information is being collected for the purposes of the administration and enforcement of securities legislation; and

(v) that the public official in the provinces of Canada who can answer questions about the indirect collection of such personal information is set out in Schedule A of this confidential shelf offering memorandum, and

(b) has authorized the indirect collection of the personal information by the applicable Commission.

By purchasing Senior Notes, the purchaser also acknowledges that its name and other specified information, including the number of Senior Notes it has purchased, may be disclosed to other Canadian securities regulatory authorities and become available to the public in accordance with the requirements of applicable laws and consents to the disclosure of that information. Furthermore, by purchasing the Senior Notes, the purchaser acknowledges that certain information as to its status as an "accredited investor" that the purchaser may have provided to any Agent involved in the trade may be required to be delivered by such Agent to the Issuer under the terms of an Agency Agreement between the Issuer, OPG and the Agents referred to under "Plan of Distribution". By purchasing the Senior Notes, the purchaser consents to the disclosure of such information.

LANGUAGE OF DOCUMENTS

Upon receipt of this confidential shelf offering memorandum, each purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Senior Notes described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *En recevant le présent document, chaque acquéreur confirme par les présentes qu'il a expressément demandé que tous les documents qui attestent la vente des débentures décrites dans les présentes ou qui s'y rapportent de quelque manière que ce soit (y compris, plus particulièrement, une confirmation d'achat ou un avis) soient rédigés en langue anglais seulement.*

RESTRICTIONS ON RESALE

The distribution of the Senior Notes in the provinces of Canada is being made on a private placement basis and is therefore exempt from the requirement that the Issuer prepare and file a prospectus with the relevant Canadian securities regulatory authorities. Accordingly, any resale of the Senior Notes must be made: (a) through an appropriately registered dealer or pursuant to an exemption from the dealer registration requirements of applicable provincial securities laws; and (b) in accordance with, or pursuant to an exemption from, the prospectus requirements of applicable provincial securities laws. These resale restrictions may in some circumstances apply to resales made outside of Canada. Purchasers are advised to seek legal advice prior to any resale of the Senior Notes.

Purchasers are advised that the Issuer does not intend to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Senior Notes to the public in any province of Canada in connection with any Offering.

Furthermore, each purchaser of Senior Notes, by its purchase thereof, will be deemed to have represented, acknowledged or confirmed, as the case may be, to the Issuer and any dealer who is involved in the sale of the Senior Notes to such purchaser that such purchaser understands that the Senior Notes are subject to transfer and resale restrictions in Canada and that the certificates representing the Senior Notes (or the relevant ownership statement under a direct registration system or other book-entry system) or other applicable document or notice (including this document) will bear or will notify the purchaser of the following legend:

> "EXCEPT IN THE PROVINCE OF MANITOBA, IN ACCORDANCE WITH NATIONAL INSTRUMENT 45-102 — RESALE OF SECURITIES, UNLESS OTHERWISE PERMITTED UNDER CANADIAN SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS FOUR MONTHS AND A DAY AFTER THE LATER OF (I) THE DATE ON WHICH THE SECURITY IS ISSUED; AND (II) THE DATE THE ISSUER BECOMES A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY OF CANADA.
>
> IN THE PROVINCE OF MANITOBA, UNLESS OTHERWISE PERMITTED UNDER APPLICABLE CANADIAN SECURITIES LAWS OR WITH THE PRIOR WRITTEN CONSENT OF THE APPLICABLE REGULATORS, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS TWELVE MONTHS AND A DAY AFTER THE DATE THE PURCHASER ACQUIRED THE SECURITY."

The Issuer is not and does not intend to become a reporting issuer.

There is currently no secondary market for the Senior Notes. There can be no assurance that a secondary market will develop or, if a secondary market does develop, that it will provide holders of such Series of Senior Notes with liquidity for their investment or that it will continue for the life of such Senior Notes. Accordingly, purchasers of the Senior Notes may be required to bear the financial risk of investing in the Senior Notes until the maturity date.

REPORTING REQUIREMENTS

The Issuer is not a reporting issuer or the equivalent thereof under the securities legislation in any jurisdiction. Accordingly, the Issuer is not subject to the continuous reporting and disclosure requirements prescribed by such securities legislation. Therefore, there is no requirement that the Issuer comply with such requirements, including, without limitation, the requirements to provide prompt notification of material changes by way of press releases, to formally file disclosure documents with applicable securities regulatory authorities or to prepare and file annual audited financial statements or quarterly unaudited financial statements. However, the Issuer will provide audited annual financial statements and unaudited quarterly financial statements in accordance with the terms of the Master Trust Indenture. See *"Description of Senior Notes — Reporting Requirements of Senior Notes"*.

STATUTORY RIGHTS OF ACTION

Securities legislation in certain of the provinces of Canada provides purchasers, in addition to any other rights they may have at law, with a remedy for rescission or damages where an offering memorandum or any amendment to it, and in some cases, advertising and sales literature used in connection therewith, contains a misrepresentation. These remedies, or notice with respect thereto, must be exercised or delivered, as the case may be, by the purchaser within the time limit prescribed, and are subject to the defences contained, in the applicable securities legislation. Purchasers should refer to the applicable provisions of the securities legislation of their province for the particulars of these rights or consult with a legal advisor. The following is a summary of the rights of rescission or rights to damages available to purchasers of the Senior Notes.

Rights for Purchasers in Ontario

Section 5.2 of Ontario Securities Commission Rule 45-501 — *Ontario Prospectus and Registration Exemptions* provides that when an offering memorandum, such as this confidential shelf offering memorandum, is delivered to an investor to whom securities are distributed in reliance upon the "accredited investor" prospectus exemption in section 73.3 of the *Securities Act* (Ontario) or a predecessor exemption to section 73.3 of the *Securities Act* (Ontario) the right of action referred to in section 130.1 of the *Securities Act* (Ontario) ("**Section 130.1**") is applicable, unless the prospective purchaser is:

(a) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act;

(b) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;

(c) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);

(d) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or

(e) a subsidiary of any person referred to in paragraphs (a), (b), (c) or (d), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of the subsidiary.

Section 130.1(1) provides such investors who purchase securities offered by an offering memorandum with a statutory right of action against the Issuer of securities for rescission or damages in the event that the offering memorandum and any amendment to it contains a "misrepresentation". The term "misrepresentation" is defined to mean an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in the light of the circumstances in which it was made. These

remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by applicable securities laws.

Where this confidential shelf offering memorandum is delivered to a prospective purchaser of Senior Notes in connection with a trade made in reliance on section 73.3 of the *Securities Act* (Ontario), and this document contains a misrepresentation, the purchaser will have, without regard to whether the purchaser relied on the misrepresentation, a statutory right of action against the Issuer for damages or, while still the owner of Senior Notes, for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages, provided that the right of action for rescission will be exercisable by the purchaser only if the purchaser commences the action not more than 180 days after the date of the transaction that gave rise to the cause of action; or, in the case of any action other than an action for rescission, the earlier of: (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the transaction that gave rise to the cause of action.

The Issuer will not be liable for a misrepresentation if it proves that the purchaser purchased the Senior Notes with knowledge of the misrepresentation.

In an action for damages, the Issuer will not be liable for all or any portion of the damages that the Issuer proves do not represent the depreciation in value of the Senior Notes as a result of the misrepresentation relied upon.

In no case will the amount recoverable for the misrepresentation exceed the price at which the Senior Notes were offered.

The liability of all persons and companies referred to above is joint and several. The Issuer, however, shall not be liable where it is not receiving any proceeds from the distribution of the securities being distributed and the misrepresentation was not based on information provided by the Issuer, unless the misrepresentation, (a) was based on information that was previously publicly disclosed by the Issuer, (b) was a misrepresentation at the time of its previous public disclosure and (c) was not subsequently publicly corrected or superseded by the Issuer prior to the completion of the distribution of the securities being distributed.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law.

This summary is subject to the express provisions of the *Securities Act* (Ontario) and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Rights for Purchasers in Saskatchewan

Section 138 of *The Securities Act, 1988* (Saskatchewan), as amended (the "**Saskatchewan Act**") provides that where an offering memorandum (such as this confidential shelf offering memorandum) or any amendment to it is sent or delivered to a purchaser and it contains a misrepresentation (as defined in the Saskatchewan Act), a purchaser who purchases a security covered by the offering memorandum or any amendment to it has, without regard to whether the purchaser relied on the misrepresentation, a right of action for rescission against the Issuer or a selling security holder on whose behalf the distribution is made or has a right of action for damages against:

(a) the Issuer or a selling security holder on whose behalf the distribution is made;

(b) every promoter and trustee of the Issuer or the selling security holder, as the case may be, at the time the offering memorandum or any amendment to it was sent or delivered;

(c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them;

(d) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the offering memorandum or the amendment to the offering memorandum; and

(e) every person who or company that sells securities on behalf of the Issuer or selling security holder under the offering memorandum or amendment to the offering memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

(a) if the purchaser elects to exercise its right of rescission against the Issuer or selling security holder, it will have no right of action for damages against that party;

(b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the securities resulting from the misrepresentation relied on;

(c) no person or company, other than the Issuer or a selling security holder, will be liable for any part of the offering memorandum or any amendment to it not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation;

(d) in no case will the amount recoverable exceed the price at which the securities were offered; and

(e) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation.

In addition, no person or company, other than the Issuer or selling security holder, will be liable if the person or company proves that:

(a) the offering memorandum or any amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company immediately gave reasonable general notice that it was so sent or delivered; or

(b) with respect to any part of the offering memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that: (i) there had been a misrepresentation, or (ii) the part of the offering memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Not all defences upon which the Issuer or others may rely are described herein. Please refer to the full text of the Saskatchewan Act for a complete listing.

The liability of all persons and companies referred to above is joint and several.

Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Section 138.2 of the Saskatchewan Act also provides that, subject to certain limitations and defences, where an individual makes a verbal statement to a purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the individual who made the verbal statement.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Saskatchewan Financial Services Commission.

Section 141(2) of the Saskatchewan Act also provides a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by Section 80.1 of the Saskatchewan Act.

The rights of action for damages or rescission under the Saskatchewan Act are in addition to and do not derogate from any other right which a purchaser may have at law.

Section 147 of the Saskatchewan Act provides that no action will be commenced to enforce any of the foregoing rights more than:

(a) in the case of an action for rescission or cancellation, 180 days after the date of the transaction that gave rise to the cause of action; or

(b) in the case of any other action, other than an action for rescission or cancellation, the earlier of:

(i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or

(ii) six years after the date of the transaction that gave rise to the cause of action.

The Saskatchewan Act also provides that a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act has a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two business days of receiving the amended offering memorandum.

This summary is subject to the express provisions of the Saskatchewan Act and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Rights for Purchasers in Nova Scotia

The right of action for rescission or damages described herein is conferred by section 138 of the *Securities Act* (Nova Scotia). Section 138 provides, in the relevant part, that in the event that this confidential shelf offering memorandum, together with any amendments hereto, or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia)) contains an untrue statement of material fact or omits to state a material fact that is required to be stated or that is necessary in order to make any statements contained herein or therein not misleading in light of the circumstances in which it was made (a "**misrepresentation**"), a purchaser of Senior Notes is deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the Issuer, its trustees, any person who signed this confidential shelf offering memorandum, any selling security holder and the directors of any such selling security holder at the date of this confidential shelf offering memorandum or, alternatively, while still the owner of the Senior Notes, may elect instead to exercise a statutory right of rescission against the Issuer, in which case the purchaser will have no right of action for damages against any person listed above, including the Issuer, provided that, among other limitations:

(a) no action will be commenced to enforce the right of action for rescission or damages by a purchaser resident in Nova Scotia under Section 138 later than 120 days after the date payment was made for the Senior Notes (or after the date on which initial payment was made for the Senior

Notes where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment);

(b) no person will be liable if it proves that the purchaser purchased the Senior Notes with knowledge of the misrepresentation;

(c) no person or company, other than the Issuer, is liable under Section 138 if the person or company proves that:

(i) this confidential shelf offering memorandum, or any amendment hereto, was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;

(ii) after delivery of this confidential shelf offering memorandum, or the amendment hereto, and before the purchase of the Senior Notes by the purchaser, on becoming aware of any misrepresentation in this confidential shelf offering memorandum, or the amendment hereto, or any record incorporated or deemed incorporated by reference therein, the person or company withdrew the person's or company's consent to this confidential shelf offering memorandum, or amendment hereto, or such record, and gave reasonable general notice of the withdrawal and the reason for it; or

(iii) with respect to any part of this confidential shelf offering memorandum, or amendment hereto, or any record incorporated or deemed to be incorporated by reference therein, purporting to be made on the authority of an expert, or to be a copy of, or an extract from a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or that the relevant part of this confidential shelf offering memorandum, or amendment hereto, or such record, did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or extract from, the report, opinion or statement of the expert;

(d) no person or company, other than the Issuer, is liable under Section 138 with respect to any part of this confidential shelf offering memorandum, or amendment hereto, or any record incorporated or deemed incorporated by reference therein, not purporting to be made on the authority of an expert, or to be a copy of or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or believed that there had been a misrepresentation;

(e) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Senior Notes resulting from the misrepresentation; and

(f) in no case will the amount recoverable under Section 138 in any action exceed the price at which the Senior Notes were offered to the purchaser.

The liability of all persons or companies referred to above is joint and several with respect to the same cause of action. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person or company who is jointly and severally liable to make the same payment in the same cause of action unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable.

The foregoing statutory right of action for rescission or damages conferred by Section 138 of the Securities Act (Nova Scotia) is in addition to and without derogation from any other right or remedy available at law or otherwise to the purchaser. This summary is subject to the express provisions of the *Securities Act* (Nova Scotia) and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions may have at law.

Rights for Purchasers in New Brunswick

Section 2.1 of New Brunswick Securities Commission Rule 45-802 provides that the statutory rights of action in rescission or damages referred to in Section 150 of the *Securities Act* (New Brunswick) ("**Section 150**") apply to information relating to an offering memorandum, such as this confidential shelf offering memorandum, that is provided to a purchaser of securities in connection with a distribution made in reliance on the "accredited investor" prospectus exemption in Section 2.3 of NI 45-106. Section 150 provides investors who purchase securities offered for sale in reliance on an exemption from the prospectus requirements of the *Securities Act* (New Brunswick) with a statutory right of action for damages against (i) the Issuer; (ii) the selling security holder on whose behalf the distribution was made; (iii) every person who was a director of the Issuer as at the date of the offering memorandum; and (iv) every person who signed the offering memorandum in the event that an offering memorandum provided to such investor contains a "misrepresentation". Alternatively, if the investor purchased the securities from a person referred to in (i) or (ii) above, an investor may elect a right of rescission, in which case the investor shall have no right of action for damages. "Misrepresentation" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

Where this confidential shelf offering memorandum is delivered to a prospective purchaser of Senior Notes in connection with a trade made in reliance on Section 2.3 of NI 45-106, and this document (including any documentation incorporated or deemed to be incorporated by reference) contains a misrepresentation, a purchaser who purchases the securities will be deemed to have relied on the misrepresentation and will have, subject to certain limitations and defences, a statutory right of action against the Issuer for damages or, while still the owner of Senior Notes, for rescission. If the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages. The right of action for rescission will be exercisable by the purchaser only if the purchaser commences the action against the defendant, not more than 180 days after the date of the transaction that gave rise to the cause of action; or, in the case of any action other than an action for rescission, the earlier of: (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) six years after the date of the transaction that gave rise to the cause of action.

No person other than the Issuer or the selling security holder is liable under Section 150 if the person proves that:

(a) the offering memorandum was delivered to the purchaser without the person's knowledge or consent and that, on becoming aware of its delivery, the person gave written notice to the Issuer that it was delivered without the person's knowledge or consent;

(b) upon becoming aware of a misrepresentation in the offering memorandum the person withdrew the person's consent to the offering memorandum and gave written notice to the Issuer of the withdrawal and the reason for the withdrawal; or

(c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person had no reasonable grounds to believe and did not believe there had been a misrepresentation or that the relevant part of the offering memorandum did not fairly represent the report, opinion or statement of the expert or was not a fair copy of, or extract from, the report, opinion or statement of the expert.

In addition, no person other than the Issuer or the selling security holder is liable under Section 150 with respect to any part of an offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert unless (i) the person failed to conduct such reasonable investigations as to provide reasonable grounds for a belief that there had been no misrepresentation or (ii) the person believed that there had been misrepresentation.

The defendant will not be liable for a misrepresentation if it proves that the purchaser purchased the Senior Notes with knowledge of the misrepresentation.

In an action for damages, the defendant will not be liable for all or any portion of the damages that the defendant proves do not represent the depreciation in value of the Senior Notes as a result of the misrepresentation relied upon.

In no case will the amount recoverable for the misrepresentation exceed the price at which the Senior Notes were offered.

The liability of all persons referred to above is joint and several.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law.

This summary is subject to the express provisions of the Securities Act (New Brunswick) and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Rights for Purchasers in Prince Edward Island

The right of action for rescission or damages described herein is conferred by Section 112 of the *Securities Act* (Prince Edward Island). Section 112 provides, that in the event that this confidential shelf offering memorandum contains a "misrepresentation", a purchaser who purchased the Senior Notes during the period of distribution, without regard to whether the purchaser relied upon such misrepresentation, has a statutory right of action for damages against the Issuer, the selling security holder on whose behalf the distribution was made, every trustee of the Issuer as at the date of the confidential shelf offering memorandum, and every person who signed the confidential shelf offering memorandum. Alternatively, the purchaser while still the owner of the Senior Notes may elect to exercise a statutory right of action for rescission against the Issuer. "Misrepresentation" means an untrue statement of material fact, or an omission to state a material fact that is required to be stated by the *Securities Act* (Prince Edward Island), or an omission to state a material fact that needs to be stated so that a statement is not false or misleading in light of the circumstances in which it is made. Statutory rights of action for rescission or damages by a purchaser are subject to the following limitations:

(a) no action will be commenced to enforce the right of action for rescission by a purchaser, resident in Prince Edward Island, later than 180 days after the date of the transaction that gave rise to the cause of action;

(b) in the case of any action other than an action for rescission, the earlier of;

  (i) 180 days after the purchaser first had knowledge of the facts given rise to the cause of action; or

  (ii) three years after the date of the transaction giving rise to the cause of action;

(c) no person will be liable if the person proves that the purchaser purchased the security with knowledge of the misrepresentation;

(d) no person other than the Issuer will be liable if the person proves that

  (i) the confidential shelf offering memorandum was sent to the purchaser without the person's knowledge or consent and that, on becoming aware of it being sent, the person had promptly given reasonable notice to the Issuer that it had been sent without the knowledge and consent of the person;

  (ii) the person, on becoming aware of the misrepresentation in the confidential shelf offering memorandum, had withdrawn the person's consent to the confidential shelf offering memorandum and had given reasonable notice to the Issuer of the withdrawal and the reason for it; or

(iii) with respect to any part of the confidential shelf offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe, and did not believe that;

(A) there had been a misrepresentation; or

(B) the relevant part of the confidential shelf offering memorandum:

a. did not fairly represent the report, statement or opinion of the expert, or

b. was not a fair copy of, or an extract from, the report, statement, or opinion of the expert.

Not all defences upon which the Issuer or others may rely are described herein. Please refer to the full text of the *Securities Act* (Prince Edward Island) for a complete listing.

If the purchaser elects to exercise a right of action for rescission, the purchaser will have no right of action for damages.

In no case will the amount recoverable in any action exceed the price at which the Senior Notes were offered to the purchaser.

In an action for damages, the defendant will not be liable for any damages that the defendant proves do not represent the depreciation in value of the Senior Notes as a result of the misrepresentation.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law.

This summary is subject to the express conditions of the *Securities Act* (Prince Edward Island) and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Rights for Purchasers in Manitoba

Pursuant to section 141.1(1) of *The Securities Act* (Manitoba) (the "**Manitoba Act**"), where this confidential shelf offering memorandum, or any amendment to this confidential shelf offering memorandum, is sent or delivered to a purchaser in the Province of Manitoba and such document contains a misrepresentation, a purchaser who purchases Senior Notes offered by this confidential shelf offering memorandum or any amendment to this confidential shelf offering memorandum is deemed to have relied on that misrepresentation, if it was a misrepresentation at the time of purchase and, subject to the defenses described in the Manitoba Act, has:

(a) a right of action for damages against:

(i) the Issuer;

(ii) each of its trustees at the date of this confidential shelf offering memorandum or any amendment to this confidential shelf offering memorandum; and

(iii) every person or company who signed this confidential shelf offering memorandum or any amendment to this confidential shelf offering memorandum; and

(b) a right of rescission against the Issuer;

provided that:

(c) no person or company is liable if the person or company proves that the purchaser purchased the Senior Notes with knowledge of the misrepresentation;

(d) in an action for damages, the defendant is not liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the Senior Notes resulting from the misrepresentation relied on; and

(e) in no case will the amount recovered exceed the price at which the Senior Notes were offered to the public.

Where a purchaser elects to exercise a right of rescission against the Issuer, the purchaser will have no right of action for damages against the Issuer or against a person or company referred to in (a)(ii) or (iii) above.

No person or company other than the Issuer is liable:

(a) if the person or company proves that this confidential shelf offering memorandum or any amendment to this confidential shelf offering memorandum was sent without the person's or company's knowledge or consent and that, after becoming aware of its being sent, the person or company promptly gave reasonable notice to the Issuer that it was so sent;

(b) if the person or company proves that after becoming aware of any misrepresentation in this confidential shelf offering memorandum or any amendment to this confidential shelf offering memorandum, the person or company withdrew the person's or company's consent to it and gave reasonable notice to the Issuer of the person's or company's withdrawal and the reason for it;

(c) if the person or company proves that with respect to any part of this confidential shelf offering memorandum or of any amendment to this confidential shelf offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of or an extract from a report, opinion or statement of an expert, the person or company had no reasonable grounds to believe and did not believe that:

(i) there had been a misrepresentation; or

(ii) the relevant part of this confidential shelf offering memorandum or of the amendment to this confidential shelf offering memorandum:

(A) did not fairly represent the report, opinion or statement of the expert; or

(B) was not a fair copy of or extract from the report, opinion or statement of the expert; or

(d) with respect to any part of this confidential shelf offering memorandum or of the amendment to this confidential shelf offering memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, the expert's report, opinion or statement, unless the person or company:

(i) did not conduct an investigation, sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; or

(ii) believed that there had been a misrepresentation.

Pursuant to section 141.4 of the Manitoba Act, but subject to the other provisions thereof, no action shall be commenced to enforce any of the foregoing rights more than:

(a) in the case of an action for rescission, 180 days from the date of the transaction that gave rise to the cause of action, or

(b) in the case of an action for damages, the earlier of:

(i) 180 days after the date that the plaintiff first had knowledge of the facts giving rise to the cause of action, or

(ii) two years after the date of the transaction that gave rise to the cause of action.

In an action for damages, the Issuer will not be liable for all or any part of the damages that the Issuer proves do not represent the depreciation in value of the Senior Notes as a result of the misrepresentation relied upon.

The rights of action for rescission or damages under the Manitoba Act are in addition to and do not derogate from any other right that the purchaser may have at law.

This summary is subject to the express provisions of the Manitoba Act and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Rights for purchasers in Newfoundland and Labrador

In accordance with section 130.1 of the *Securities Act* (Newfoundland and Labrador, hereinafter the "**NL Act**"), in the event this confidential shelf offering memorandum contains a misrepresentation, a purchaser who purchases Senior Notes shall be deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase, in which event the purchaser has, subject to the defences and limitations set out in the NL Act: (a) a right of action for damages against the Issuer and, every trustee of the Issuer at the date of this confidential shelf offering memorandum and every person or company who has signed this confidential shelf offering memorandum; and (b) a right of rescission against the Issuer. Where a right of rescission is exercised, a purchaser shall have no right of action for damages against any other person or company.

For the purposes of the NL Act "misrepresentation" means: (a) an untrue statement of material fact, or (b) an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

A person or company is not liable under section 130.1 of the NL Act: (a) if the person or company proves the purchaser had knowledge of the misrepresentation; or (b) in an action for damages, for all or any portion of the damages that the person or company proves do not represent the depreciation in value of the security as a result of the misrepresentation. Additionally, in an action for damages, the amount recoverable under the right of action shall not exceed the purchase price at which the security was offered.

In addition no person or company, other than the Issuer, is liable under section 130.1 of the NL Act if:

(a) the person or company proves that this confidential shelf offering memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the Issuer that it was sent without the person's or company's knowledge or consent;

(b) the person or company proves that on becoming aware of any misrepresentation in this confidential shelf offering memorandum, the person or company withdrew the person's or company's consent to this confidential shelf offering memorandum, and gave reasonable notice to the Issuer of the withdrawal and the reason for it;

(c) with respect to any part of this confidential shelf offering memorandum purporting to be made on the authority of an expert (or purporting to be a copy of or an extract from a report, opinion or statement of an expert), the person or company proves they had no reasonable grounds to believe

and did not believe that: (i) there had been a misrepresentation; or (ii) the relevant part of this confidential shelf offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert; or

(d) with respect to any part of this confidential shelf offering memorandum not purporting to be made on the authority of an expert (and not purporting to be a copy of or an extract from a report, opinion or statement of an expert), unless the person or company: (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; (ii) or believed there had been a misrepresentation.

If a misrepresentation is contained in a record incorporated by reference in, or deemed incorporated into this confidential shelf offering memorandum, the misrepresentation is deemed to be contained in this confidential shelf offering memorandum.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law. The liability of all persons and companies referred to above is joint and several.

Pursuant to section 138 of the NL Act, no action shall be commenced to enforce the rights conferred by section 130.1 thereof unless commenced:

(a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or

(b) in the case of an action, other than an action for rescission, the earlier of:

(i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action; or

(ii) three years after the date of the transaction that gave rise to the cause of action.

Rights for Purchasers in Alberta, British Columbia, and Québec

By purchasing Senior Notes hereunder, purchasers in Alberta, British Columbia and Québec not entitled to the statutory rights described above, in consideration of their purchase of Senior Notes and upon accepting a purchase confirmation in respect thereof, are hereby granted a contractual right of action for damages or rescission that is the same as the statutory right of action, if any, provided to residents of Ontario who purchase Senior Notes.

General

The foregoing summaries are subject to the express provisions of the applicable securities law of each jurisdiction, and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions.

The rights of action described in this confidential shelf offering memorandum are in addition to and without derogation from any other right or remedy that the purchaser may have at law.

INDENTURE TRUSTEE

The Indenture Trustee, BNY Trust Company of Canada, will be the registrar for the Senior Notes, and the register for the transfer of Senior Notes will be kept at its principal office in Toronto, Ontario.

LEGAL MATTERS

Certain Canadian legal matters in connection with the offering of Senior Notes will be passed upon by Torys LLP on behalf of the Issuer and by Osler, Hoskin & Harcourt LLP on behalf of the Agents.

GLOSSARY

[NTD: Glossary in progress. For ease of reference, Torys is considering adding an index or replacing glossary with an index for terms that are defined in the body.]

The following glossary contains definitions of certain terms that are used throughout this confidential shelf offering memorandum.

"**Acceleration**" means, (a) a portion of the principal amount owing in respect of the Funding Obligation has become due and payable by a Financing Entity before the scheduled payment date, maturity date or redemption date, or (b) a party to a derivative agreement in respect of the Funding Obligation has elected to close-out or terminate the agreement, resulting in an obligation on a Financing Entity to pay a termination amount, close-out amount or similar amount.

"**Acceleration Event**" means the acceleration of any Series of Controlling Class Obligations pursuant to and in accordance with its Funding Obligation Agreement.

"**Adherence Compliance Certificate**" has the meaning set out under *"Change of Law Protection Agreement — Approved Obligations & Adherence Conditions"*.

"**Adverse Effect**" has the meaning set out under *"Capital Markets Platform — Conditions Precedent to Incurrence of Obligations Secured — Issuer Funding Obligations"*.

"**Agency Agreement**" has the meaning set out under *"Plan of Distribution"*.

"**Agents**" means the agents designated by the Issuer from time to time and identified in the Term Sheet applicable to such Offering to sell the Senior Notes as described under *"Plan of Distribution"*.

"**Approved Obligation**" has the meaning set out under *"Change of Law Protection Agreement — Approved Obligations & Adherence Conditions"*.

"**Available Collections**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Collection Account"*.

"**Borrowing**" means a borrowing or drawing by the Issuer pursuant to a liquidity agreement, a loan agreement or a credit enhancement agreement.

"**Canadian Insolvency and Restructuring Laws**" has the meaning set out under *"Risk Factors — Risks Associated with the Unusual Nature of the Investment Asset"*.

"**Carrying Costs**" has the meaning ascribed to the term "carrying costs" in the Regulations.

"**CDS**" means CDS Clearing and Depository Services Inc.

"**Certified Primary Obligation**" has the meaning set out under *"Change of Law Protection Agreement — Approved Obligations & Adherence Conditions"*.

"**Class**" has the meaning set out under *"Capital Markets Platform — Subordination Provisions"*.

"**Clean Energy Adjustment**" has the meaning set out under *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

"**Clean Energy Benefits**" means the value of the benefits determined to be derived by or accruing to Specified

Consumers as a result of the Clean Energy Initiative, including as a result of Clean Energy Costs.

"**Clean Energy Costs**" means the value of the costs allocated to Specified Consumers as a result of the Clean Energy Initiative, including as a result of past, present and expected costs incurred in respect of

(a) the amounts to be paid or reflected by the IESO in adjustments made under section 25.33 of the *Electricity Act, 1998* (Ontario) or any provision that is the successor to that provision, which relate to contracts or amounts for

(i) renewable energy generation or capacity;

(ii) conservation and demand management;

(iii) energy storage;

(iv) energy efficiency; and

(v) natural gas generation and capacity, excluding contracts relating to amounts payable by the IESO under section 78.2 of the *Ontario Energy Board Act, 1998* and excluding such other contracts as may be prescribed;

(b) payments made or expected to be made under section 78.5 of the *Ontario Energy Board Act, 1998*; and

(c) such other costs or estimated costs as may be prescribed by the Regulations.

"**Clean Energy Initiative**" means the policies of the Government of Ontario related to

(a) eliminating coal generation and fostering the growth of and investment in clean, modern and reliable energy sources and technologies;

(b) removing barriers to and promoting opportunities for clean and renewable energy sources and technologies;

(c) promoting conservation, demand management and energy efficiency; and

(d) investing in energy infrastructure to ensure a clean, modern and reliable system.

"**Clearstream, Luxembourg**" means Clearstream Banking, société anonyme.

"**Collateral**" has the meaning set out under *"Capital Markets Platform — Security"*.

"**Collection Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Collection Account"*.

"**Collection Account Waterfall**" has the meaning set out under *"Capital Markets Platform — Payment Waterfalls Prior to Acceleration — Collection Account"*.

"**Commission**" has the meaning set out under *"Representations and Agreements of Purchasers"*.

"**Confidential Information**" has the meaning set out under *"Confidentiality"*.

"**Controlling Class Creditors**" means the Debtholders holding Controlling Class Obligations.

"**Controlling Class Obligations**" means: (a) Senior Funding Obligations until such time as all Senior Funding Obligations have been paid in full; then (b) if all Senior Funding Obligations have been paid in full, Subordinated Funding Obligations until such time as all Subordinated Funding Obligations have been paid in full; and finally (c) if all Senior Funding Obligations and Subordinated Funding Obligations have been paid in full, Junior Subordinated Funding Obligations until such time as all Junior Subordinated Funding Obligations have been paid in full.

"**Co-Owner Agreement**" means any agreement between, *inter alia*, the Issuer and any other owner or owners of an Investment Interest as contemplated by the FHPA.

"**DBRS**" means DBRS Limited and its successors.

"**Debtholder**" means a Noteholder or a Lender.

"**Debtholder Group**" has the meaning set out under *"Capital Markets Platform — Debtholder Approvals and Meetings — Debtholder Meetings"*.

"**Declaration of Trust**" has the meaning set out under *"The Issuer"*.

"**Default**" means the occurrence of any event which, after the passage of time, the required notification to the Indenture Trustee and, if required, approval by the required Controlling Class Creditors, would become an Event of Default.

"**depository**" has the meaning set out under *"Depository Services"*.

"**Derivative Counterparty**" means any party to any derivative agreement other than the Issuer or the Indenture Trustee.

"**Derivative Funding Obligations**" means Funding Obligations arising under, or in connection with, derivative agreements.

"**DTC**" means The Depositary Trust Company.

"**Electricity Vendor**" means

(a) a person licensed under Part V of the *Ontario Energy Board Act, 1998* to own or operate a "distribution system" within the meaning of that Act;

(b) a person licensed under Part V of the *Ontario Energy Board Act, 1998* to retail electricity;

(c) the IESO in circumstances where it directly invoices a Specified Consumer for electricity used in Ontario; or

(d) such other person as may be prescribed by the Regulations.

"**Eligible Deposit Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts"*.

"**Eligible Institution**" means (a) a trust company or Schedule I chartered bank (or an affiliate thereof) incorporated under the laws of Canada or any province thereof (i) which has either (x) a long-term unsecured debt rating of "A" or better by DBRS, or (y) a short-term deposit rating of "R-1 (low)" or better by DBRS, and (ii) which has either (x) a long-term unsecured debt rating of "A2" or better by Moody's, or (y) a short-term deposit rating of "P-1" or better by Moody's, or (b) any institution that otherwise satisfies the Rating Agency Condition.

"**Eligible Investments**" means instruments or investment property that evidence:

(a) direct obligations of, or obligations fully and unconditionally guaranteed as to timely payment by, Canada or the United States of America;

(b) demand or time deposits of, unsecured certificates of deposit of, money market deposit accounts of, bank deposit products of or bankers' acceptances issued by, any depository institution (including, but not limited to, bank deposit products of the Indenture Trustee, acting in its commercial capacity) incorporated or organized under the laws of the United States of America, Canada or any state or province thereof and subject to supervision and examination by applicable banking authorities, so long as the commercial paper or other short-term debt obligations of such depository institution are, at the time of deposit, rated at least "R-1 (low)" and "P 1" by each of DBRS and Moody's, or such lower rating as will not result in the downgrading or withdrawal of the ratings of the Issuer or any of the Issuer Funding Obligations;

(c) commercial paper (including commercial paper of the Indenture Trustee, acting in its commercial capacity), which at the time of purchase is rated at least "R-1 (low)" and "P-1" by each of DBRS and Moody's, or such lower rating as will not result in the downgrading or withdrawal of the ratings of the Issuer or any of the Issuer Funding Obligations;

(d) investments in money market funds having a rating in the highest investment category granted thereby (including funds for which the Indenture Trustee or any of its affiliates is investment manager or advisor) from DBRS and Moody's;

(e) repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by, the United States of America, Canada or their respective agencies or instrumentalities, entered into with Eligible

Institutions;

(f) repurchase obligations with respect to any security or whole loan entered into with an Eligible Institution or with a registered broker/dealer acting as principal and that meets the ratings criteria set forth below:

(i) a broker/dealer (acting as principal) registered as a broker or dealer under the *Securities Act* (Ontario) (any such broker/dealer being referred to in this definition as a "**broker/dealer**"), the unsecured short-term debt obligations of which are rated at least "P-1" by Moody's and "R-1" by DBRS at the time of entering into such repurchase obligation; or

(ii) an unrated broker/dealer, acting as principal, that is a wholly-owned subsidiary of a non-bank or bank holding company the unsecured short-term debt obligations of which are rated at least "P-1" by Moody's and "R-1" by DBRS at the time of purchase so long as the obligations of such unrated broker/dealer are unconditionally guaranteed by such non-bank or bank holding company; and

(g) any other investment permitted by each of the Rating Agencies;

in each case maturing not later than the business day preceding the next Payment Date, Interest Payment Date or Principal Payment Date, as applicable (for the avoidance of doubt, investments in money market funds or similar instruments that are redeemable on demand shall be deemed to satisfy the foregoing requirement). Notwithstanding the foregoing, no securities or investments that mature in 30 days or more shall be "Eligible Investments" unless the issuer thereof has (x) either a short-term unsecured debt rating of at least "P-1" from Moody's or a long-term unsecured debt rating of at least "A2" from Moody's and also has (y) either a short-term unsecured debt rating of at least "R-1 (low)" from DBRS or a long-term unsecured debt rating of at least "A" from DBRS.

"**Eligible Securities Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts"*.

"**Euroclear**" means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

"**Event of Default**" has the meaning set out under *"Capital Markets Platform — Event of Default"*.

"**Extraordinary Resolution**" has the meaning set out under *"Capital Markets Platform — Debtholder Approvals and Meetings — Debtholder Meetings"*.

"**Fair Adjustment**" has the meaning set out under *"Ontario's Fair Hydro Plan — Background"*.[~~59~~60]

"**Fair Allocation Amount**" has the meaning set out under *"Ontario's Fair Hydro Plan — Fair Allocation Amount and Financing Plan"*.[~~60~~61]

"**FHPA**" means the *Ontario Fair Hydro Plan Act, 2017*.

"**Finance Amount**" has the meaning set out under *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

"**Financial Services Manager**" means OPG, in its capacity as financial services manager appointed under the

[59] ~~**Note:** Please consider revising the definition of "Fair Adjustment" if this concept is to be used in the OM. The definition of the "Fair Adjustment" indicates that this term only refers to the rate reduction from July 1, 2017 until April 30, 2018. When the term is then later used in narrative [ex. "…the Financing Entity is financing a portion of the shortfall that results from the Fair Adjustment…"] it refers to the electricity rates that result from the entire fair hydro program.~~

[60] **Note:** Please consider revising the definition of "Fair Adjustment" if this concept is to be used in the OM. The definition of the "Fair Adjustment" indicates that this term only refers to the rate reduction from July 1, 2017 until April 30, 2018. When the term is then later used in narrative [ex. "…the Financing Entity is financing a portion of the shortfall that results from the Fair Adjustment…"] it refers to the electricity rates that result from the entire fair hydro program.

[60] ~~**Note:** Please consider a description of the Fair Allocation Amount that more closely aligns to Section 20(1) of the FHPA.~~

[61] **Note:** Please consider a description of the Fair Allocation Amount that more closely aligns to Section 20(1) of the FHPA.

FHPA to perform the duties assigned to it thereunder.[~~61~~62]

"**Financing Entity**" has the meaning set out under *"Ontario's Fair Hydro Plan — Background"*.

"**Financing Plan**" means the written plan entitled "Financing Plan" prepared by the Financial Services Manager as required under the FHPA to be used by the Financial Services Manager to evaluate whether potential Funding Obligations should be incurred for the purposes of a Financing Entity acquiring and financing an Investment Interest in accordance with the FHPA or for the purposes of a Refinancing, and includes any amendments thereto.

"**Funding Obligation**" has the meaning set out under *"Ontario's Fair Hydro Plan — Background"*.

"**Funding Obligation Agreement**" means any Note, any Supplemental Indenture (including any Terms Document), any liquidity agreement, any liquidity agreement, any credit enhancement agreement or any derivative agreement.

"**Funding Rebate**" has the meaning set out under *"Ontario's Fair Hydro Plan — Investment Interest"*.

"**Governmental Authority**" means any nation or government, any federal, state, provincial, local or other political subdivision thereof and any court, administrative agency or other instrumentality or entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

"**HOEP**" has the meaning set out under *"The Electricity Industry in Ontario — Electricity Prices"*.

"**IESO**" means the Independent Electricity System Operator.

"**IESO Cash Reserve Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — IESO Cash Reserve Account"*.

"**IESO Cash Reserve Deposit Amount**" means an amount equal to the aggregate of:

(a) 0.50% of the aggregate outstanding principal amount of the Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations determined as of the Payment Date occurring in April, 2021; and

(b) an amount estimated by the Manager, acting reasonably, as the amount of Carrying Costs payable by the Issuer during May, June and July, 2021 on outstanding Issuer Funding Obligations and any Issuer Funding Obligations to be issued in accordance with the Financing Plan, provided that such estimate satisfies the Rating Agency Condition.

"**IESO Cash Reserve Required Amount**" means, on any Payment Date on or after the Payment Date in November, 2021, the amount, if any, by which (a) an amount equal to 0.50% of the aggregate outstanding principal amount of the Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations, exceeds (b) the amount on deposit in the Program Cash Reserve Account, determined after giving effect to all settlements on such Payment Date.

"**IESO Security Agreement**" means the security agreement made by the IESO in favour of the Issuer to secure its obligations to pay the Issuer's Carrying Costs pursuant to the Master Transfer and Servicing Agreement.

"**Indemnity Agreement**" means the Indemnity Agreement dated December 21, 2017 by OPG in favour of the Indenture Trustee.

"**Indenture**" means the Master Trust Indenture, as supplemented by any Supplemental Indenture.

[~~61~~] ~~**Note:** Please consider whether there should be disclosure indicating that the FSM is a statutory role from which OPG may be removed.~~
[62] **Note:** Please consider whether there should be disclosure indicating that the FSM is a statutory role from which OPG may be removed.

"**Indenture Trustee**" means BNY Trust Company of Canada and its successors.

"**Interest Accrual Amount (Junior Subordinated)**" means, in respect of any Payment Date and all Junior Subordinated Funding Obligations, the amount of interest that accrued on such Junior Subordinated Funding Obligations during the period from and including the issuance date of such Junior Subordinated Funding Obligations or the last date to which interest has been paid in respect of such Junior Subordinated Funding Obligations, as applicable, to such Payment Date less any amounts deposited to the Interest Accumulation Account in respect of such interest accruing during such period pursuant to the Collection Account Waterfall and the payment waterfall applicable to the IESO Cash Reserve Account.

"**Interest Accrual Amount (Senior)**" means, in respect of any Payment Date and all Senior Funding Obligations, the amount of interest that accrued on such Senior Funding Obligations during the period from and including the issuance date of such Senior Funding Obligations or the last date to which interest has been paid in respect of such Senior Funding Obligations, as applicable, to such Payment Date less any amounts deposited to the Interest Accumulation Account in respect of such interest accruing during such period pursuant to the Collection Account Waterfall and the payment waterfall applicable to the IESO Cash Reserve Account.

"**Interest Accrual Amount (Subordinated)**" means, in respect of any Payment Date and all Subordinated Funding Obligations, the amount of interest that accrued on such Subordinated Funding Obligations during the period from and including the issuance date of such Subordinated Funding Obligations or the last date to which interest has been paid in respect of such Subordinated Funding Obligations, as applicable, to such Payment Date less any amounts deposited to the Interest Accumulation Account in respect of such interest accruing during such period pursuant to the Collection Account Waterfall and the payment waterfall applicable to the IESO Cash Reserve Account.

"**Interest Accumulation Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Interest Accumulation Account"*.

"**Interest Payment Date**" means each business day on which interest is due and payable in respect of Senior Funding Obligations, Subordinated Funding Obligations or Junior Subordinated Funding Obligations, as set out in the related Funding Obligation Agreement.

"**Investment Asset**" has the meaning set out under *"Ontario's Fair Hydro Plan — Investment Interest"*.

"**Investment Interest**" has the meaning set out under *"Ontario's Fair Hydro Plan — Investment Interest"*.

"**Investor Presentation**" has the meaning set out on the face page of this confidential shelf offering memorandum.

"**Issuer**" means Fair Hydro Trust, a special purpose trust governed ~~under~~by the laws of the Province of Ontario.

"**Issuer Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts"*.

"**Issuer Funding Obligation**" means Funding Obligations of the Issuer.

"**Issuer Trustee**" means Computershare Trust Company of Canada.

"**Junior Subordinated Funding Obligations**" means Funding Obligations arising under, or in connection with, Notes and Borrowings that have been designated as "Junior Subordinated" in the related Funding Obligation Agreement.

"**Junior Subordinated Notes, Series 2017-1**" has the meaning set out under *"Short Term Indebtedness"*.

"**LDCs**" has the meaning set out under *"The Electricity Industry in Ontario"*.

"**Lender**" means any Person providing credit facilities, note purchase facilities or advances under a liquidity

agreement, liquidity agreement or credit enhancement agreement, as applicable.

"**Limited Guarantee**" has the meaning set out under *"Change of Law Protection Agreement"*.

"**Management Agreement**" has the meaning set out under *"The Manager"*.

"**Manager**" means OPG, as manager of the Issuer appointed under the Management Agreement.

"**Manitoba Act**" means *The Securities Act* (Manitoba).

"**Master Agreement**" means an agreement in the form of a Master Agreement as published by ISDA or any replacement or substitute or functional equivalent of such agreement.

"**Master Transfer and Servicing Agreement**" means the master transfer and servicing agreement dated as of December 21, 2017 between the Issuer and the IESO, as amended, supplemented, restated or otherwise modified from time to time.

"**Master Trust Indenture**" means the trust indenture dated as of December 21, 2017 between the Issuer, as issuer, and the Indenture Trustee, as amended, supplemented, restated or otherwise modified from time to time.

"**Material Effect**" has the meaning set out under *"Change of Law Protection Agreement — Suspension Notice & Post-Suspension Refinancings"*.

"**Moody's**" means Moody's Investors Service, Inc. and its successors.

"**Moratorium Period**" has the meaning set out under *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

"**MTSA Acknowledgement**" means the acknowledgement and indemnity agreement dated December 21, 2017 by the IESO in favour of the Indenture Trustee.

"**MW**" means megawatts.[~~62~~63]

"**NI 31-103**" means National Instrument 31-103 — *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

"**NI 45-106**" means National Instrument 45-106 — *Prospectus Exemptions*.

"**NL Act**" means the *Securities Act* (Newfoundland and Labrador).

"**Non-Investment Grade Rated Electricity Vendor**" has the meaning set out under *"The Transferor and Servicer"*.

"**Note**" means any note of any Class, Series or Tranche created pursuant to a Supplemental Indenture and authenticated and delivered from time to time under the Master Trust Indenture.

"**Noteholders**" means a Person in whose name a Note is registered in the Note register or the bearer of any Note held in bearer form (including a global note in bearer form), as the case may be.

"**Obligations Secured**" means all present and future debts, expenses and liabilities, direct or indirect, absolute or contingent, due, owing or accruing due or owing from time to time by the Issuer to the Specified Creditors in their capacity as such. For greater certainty, amounts owing to any Specified Creditors by the Issuer at any time shall include (a) the unpaid face amount of any Notes issued on a discount basis; (b) the principal amount owing at such time, together with the accrued and unpaid interest on interest bearing Notes or Borrowings; (c) accrued fees,

[~~62~~] ~~**Note:** Definition not used.~~
[63] **Note:** Definition not used.

whether or not then due and payable; and (d) any evidence of indebtedness issued pursuant to or in respect of an amount owing under a Program Agreement (other than amounts payable by the Issuer to its beneficiaries pursuant to the Declaration of Trust or a promissory note issued by the Issuer to a beneficiary as contemplated in the Declaration of Trust).

"**OEB**" means the Ontario Energy Board.

"**Offering**" means an offering of senior secured notes pursuant to this confidential shelf offering memorandum and the related Term Sheet as described under *"Plan of Distribution"*.

"**Offering Jurisdiction**" means each of the provinces of Canada.

"**OPA**" means Ontario Power Authority.

"**OPG**" means Ontario Power Generation Inc.

"**Ordinary Resolution**" has the meaning set out under *"Capital Markets Platform — Debtholder Approvals and Meetings — Debtholder Meetings"*.

"**Participants**" has the meaning set out under *"Depository Services"*.

"**Paying Agent**" means any Person authorized by the Issuer to pay any Obligations Secured on behalf of the Issuer.

"**Payment Date**" means the 15th day of each calendar month.

"**Person**" means any individual, corporation, limited liability company, unlimited liability company, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or Governmental Authority.

"**Post-Suspension Refinancing**" has the meaning set out under *"Change of Law Protection Agreement — Suspension Notice & Post-Suspension Refinancings"*.

"**Pre-Approved Refinancing**" has the meaning set out under *"Change of Law Protection Agreement — Suspension Notice & Post-Suspension Refinancings"*.

"**Predecessor IESO**" has the meaning set out under *"The Electricity Industry in Ontario — The IESO"*.

"**Primary Obligation**" has the meaning set out under *"Change of Law Protection Agreement — Approved Obligations & Adherence Conditions"*.

"**Principal Accumulation Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Principal Accumulation Account"*.

"**Principal Accumulation Amount**" means, in respect of any Series of Senior Funding Obligations, Subordinated Funding Obligations or Junior Subordinated Funding Obligations and a Payment Date occurring on or after the Principal Accumulation Date for such Series, the amount specified for such Payment Date in the related Funding Obligation Agreement plus any amounts specified in the related Funding Obligation Agreement in respect of prior Payment Dates after the Principal Accumulation Date for such Series which were not deposited to the Principal Accumulation Account; provided that if the Issuer has delivered a refinancing notice in respect of such Series, the Principal Accumulation Amounts in respect of such Series shall be adjusted as provided for in such refinancing notice.

"**Principal Accumulation Date**" means, in respect of any Series of Issuer Funding Obligations, other than Derivative Funding Obligations, the date, if any, specified in the related Funding Obligation Agreement.

"**Principal Payment Date**" means each business day on which principal is due and payable in respect of Senior Funding Obligations, Subordinated Funding Obligations or Junior Subordinated Funding Obligations, as set out in the related Funding Obligation Agreement.

"**Principal Payment Default Date**" has, with respect to any Issuer Funding Obligation, the meaning specified in the related Funding Obligation Agreement.

"**Program Account**" means each of the Collection Account, the Principal Accumulation Account, the Interest Accumulation Account, the Program Cash Reserve Account, the IESO Cash Reserve Account, the Refinancing Account and the Protection Account.

"**Program Agreements**" means the Master Trust Indenture, each Supplemental Indenture, the Declaration of Trust, the Management Agreement, the Master Transfer and Servicing Agreement, the MTSA Acknowledgement, the Indemnity Agreement, each transfer notice delivered under the Master Transfer and Servicing Agreement, any Co-Owner Agreements, the IESO Security Agreement, the Change of Law Protection Agreement, the Notes, any derivative agreements, credit enhancement agreements, liquidity agreements, loan agreements, underwriting agreements, agency agreements or note purchase agreements and all other documents and certificates delivered in connection therewith.

"**Program Cash Reserve Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Program Cash Reserve Account"*.

"**Program Cash Reserve Required Amount**" means (a) on each Payment Date prior to the Payment Date in May, 2021, nil, and (b) on each Payment Date thereafter, an amount equal to 0.50% of the aggregate outstanding principal amount of the Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations after giving effect to all settlements on such Payment Date, or such lesser amount proposed by the Manager that satisfies the Rating Agency Condition.

"**Protection Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Protection Account"*.

"**Protection Event**" has the meaning set out under *"Change of Law Protection Agreement — Protection Event"*.

"**Rating Agency**" means, with respect to any Issuer Funding Obligation, each nationally recognized statistical rating organization or designated rating organization, as specified in the related Funding Obligation Agreement, selected by the Manager to rate such Issuer Funding Obligation.

"**Rating Agency Condition**" has the meaning set out under *"Rating Agency Condition"*.

"**Readjustment amount**" has the meaning ascribed to the term "readjustment amount" in the FHPA and Regulations.

"**Reference Period**" means:

(a) the period beginning on July 1, 2017 and ending on October 31, 2017; and

(b) during the period beginning on November 1, 2017 and ending on either April 30, 2047 or such later day as may be prescribed by the Regulations

(i) every six-month period following the period mentioned in (a);

(ii) any period shorter than six months, as may be prescribed by the Regulations.

"**Refinancing**" has the meaning ascribed to the term "refinancing" in the FHPA.

"**Refinancing Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Refinancing Account"*.

"**Regulated Price Plan**" or "**RPP**" has the meaning set out under "*The Electricity Industry in Ontario — Electricity Prices*.

"**Regulations**" means the regulations promulgated under the FHPA.

"**Regulatory Asset**" has the meaning set out under *"Ontario's Fair Hydro Plan — Regulatory Asset"*.

"**Required Principal Accumulation Amount (Senior)**" means, in respect of any Principal Payment Date, the aggregate of the Principal Accumulation Amounts in respect of all Senior Funding Obligations for all Payment Dates up to and including such Principal Payment Date, less all amounts that have been applied to principal repayments of Senior Funding Obligations on or prior to such Principal Payment Date.

"**Required Principal Accumulation Amount (Subordinated)**" means, in respect of any Principal Payment Date, the aggregate of the Principal Accumulation Amounts in respect of all Subordinated Funding Obligations for all Payment Dates up to and including such Principal Payment Date, less all amounts that have been applied to principal repayments of Subordinated Funding Obligations on or prior to such Principal Payment Date.

"**Saskatchewan Act**" means *The Securities Act, 1988* (Saskatchewan).

"**Section 130.1**" means section 130.1 of the *Securities Act* (Ontario).

"**Section 150**" means section 150 of the *Securities Act* (New Brunswick).

"**Securities Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Securities Account"*.

"**Senior Funding Obligation**" means Funding Obligations arising under, or in connection with, Notes and

Borrowings that have been designated as "Senior" in the related Funding Obligation Agreement.

"**Senior Notes**" has the meaning set out on the face page of this confidential shelf offering memorandum.

"**Senior Notes, Series 2017-1**" has the meaning set out under *"Short Term Indebtedness"*.

"**Series**" means, with respect to any Class of Issuer Funding Obligations, the Series of the Class specified in the related Funding Obligation Agreement.

"**Series Account**" means each Series Finance Reserve Account and each Series Capital Reserve Account.

"**Series Capital Reserve Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Series Accounts — Series Capital Reserve Account"*.

"**Series Finance Reserve Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Series Accounts — Series Finance Reserve Account"*.

"**Servicer**" means the IESO, as servicer under the Master Transfer and Servicing Agreement.

"**Servicer Default**" means:

(a) any failure by the Servicer to remit to the Collection Account any required remittance that shall continue unremedied for a period of three business days after written notice of such failure is received by the Servicer from the Issuer or after discovery of such failure by a responsible officer of the Servicer;

(b) any failure on the part of the Servicer or, so long as the Servicer is the IESO, any failure on the part of the IESO, as the case may be, to duly observe or to perform in any respect any covenants or agreements of the Servicer or the IESO, as the case may be, set forth in the Master Transfer and Servicing Agreement or in any other Program Agreement to which it is a party (other than as provided in (a) above), which failure shall (i) materially and adversely affect the rights of the Specified Creditors and (ii) continue unremedied for a period of 30 days after the date on which (A) written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer or the IESO, as the case may be, by the Issuer or (B) such failure is discovered by a responsible officer of the Servicer;

(c) any representation or warranty made by the Servicer in the Master Transfer and Servicing Agreement, any other Program Agreement to which it is a party, any transfer notice or any monthly servicer report shall prove to have been incorrect when made, which has a material adverse effect on the Issuer and which remains unremedied for a period of 30 days after the date on which (i) written notice thereof, requiring the same to be remedied, shall have been delivered to the Servicer by the Issuer or (ii) such failure is discovered by a responsible officer of the Servicer;

(d) an insolvency event occurs with respect to the Servicer or the IESO; or

(e) any additional "Servicer Default" as specified in any Co-Owner Agreement occurs.

"**Specified Claims**" has the meaning set out under *"Change of Law Protection Agreement"*.

"**Specified Consumer**" has the meaning set out under *"Ontario's Fair Hydro Plan — Background"*.

"**Specified Creditors**" means, collectively, Noteholders, Lenders, the Paying Agent, the Indenture Trustee, the Issuer Trustee, the Manager, the Servicer, the Province of Ontario, Derivative Counterparties, credit enhancers, Rating Agencies and counterparties to underwriting agreements, agency agreements or note purchase agreements, in each case, to the extent of their claims related to Program Agreements, and any other Person that is owed a payment obligation by the Issuer that gives rise to a Finance Amount in respect of the Issuer.

"**Subordinated Funding Obligations**" means Funding Obligations arising under, or in connection with, Notes and Borrowings that have been designated as "Subordinated" in the related Funding Obligation Agreement.

"**Subordinated Notes, Series 2017-1**" has the meaning set out under *"Short Term Indebtedness"*.

"**Subrogation Amounts**" has the meaning set out under "*Change of Law Protection Agreement — Protection Event*".

"**Supplemental Indenture**" means a supplemental indenture to the Master Trust Indenture between the Issuer and the Indenture Trustee.

"**Suspension Event**" has the meaning set out under *"Change of Law Protection Agreement — Suspension Notice & Post-Suspension Refinancings"*.

"**Suspension Notice**" has the meaning set out under *"Change of Law Protection Agreement — Suspension Notice & Post-Suspension Refinancings"*.

"**Term Sheet**" has the meaning set out on the face page of this confidential shelf offering memorandum.

"**Terms Document**" means, with respect to any Tranche of Notes, a supplement to the related Supplemental Indenture.

"**Tranche**" means, with respect to any Series of Notes, Notes of such Series which have identical terms, conditions and Tranche designation. Notes of a single Tranche may be issued on different dates.

"**True-up Amount**" has the meaning set out under *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

"**Unitholders**" means FHP2017 Inc., a wholly-owned subsidiary of OPG, and the Indenture Trustee.

"**Warehouse Facilities**" has the meaning set out under *"Short Term Indebtedness"*.

"**Warehouse Obligations**" means Senior Funding Obligations incurred pursuant to a Funding Obligation Agreement that provide the Issuer with a revolving facility under which principal amounts can be advanced, repaid and again advanced during a committed revolving period and does not provide any other type of credit facility.

SCHEDULE A – CANADIAN PROVINCIAL SECURITIES REGULATORY AUTHORITIES

Alberta Securities Commission
Suite 600, 250 – 5th Street SW
Calgary, Alberta T2P 0R4
Telephone: (403) 297-6454
Toll free in Canada: 1-877-355-0585
Facsimile: (403) 297-2082
Public official contact regarding indirect collection of information: FOIP Coordinator

British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia V7Y 1L2
Inquiries: (604) 899-6854
Toll free in Canada: 1-800-373-6393
Facsimile: (604) 899-6581
Email: FOI-privacy@bcsc.bc.ca
Public official contact regarding indirect collection of information: FOI Inquiries

The Manitoba Securities Commission
500 – 400 St. Mary Avenue
Winnipeg, Manitoba R3C 4K5
Telephone: (204) 945-2561
Toll free in Manitoba 1-800-655-5244
Facsimile: (204) 945-0330
Public official contact regarding indirect collection of information: Director

Financial and Consumer Services Commission (New Brunswick)
85 Charlotte Street, Suite 300
Saint John, New Brunswick E2L 2J2
Telephone: (506) 658-3060
Toll free in Canada: 1-866-933-2222
Facsimile: (506) 658-3059
Email: info@fcnb.ca
Public official contact regarding indirect collection of information: Chief Executive Officer and Privacy Officer

Government of Newfoundland and Labrador Financial Services Regulation Division
P.O. Box 8700
Confederation Building
2nd Floor, West Block
Prince Philip Drive
St. John's, Newfoundland and Labrador A1B 4J6
Attention: Director of Securities
Telephone: (709) 729-4189
Facsimile: (709) 729-6187
Public official contact regarding indirect collection of

Nova Scotia Securities Commission
Suite 400, 5251 Duke Street
Duke Tower
P.O. Box 458
Halifax, Nova Scotia B3J 2P8
Telephone: (902) 424-7768
Facsimile: (902) 424-4625
Public official contact regarding indirect collection of information: Executive Director

Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, Ontario M5H 3S8
Telephone: (416) 593-8314
Toll free in Canada: 1-877-785-1555
Facsimile: (416) 593-8122
Email: exemptmarketfilings@osc.gov.on.ca
Public official contact regarding indirect collection of information: Inquiries Officer

Prince Edward Island Securities Office
95 Rochford Street, 4th Floor Shaw Building
P.O. Box 2000
Charlottetown, Prince Edward Island C1A 7N8
Telephone: (902) 368-4569
Facsimile: (902) 368-5283
Public official contact regarding indirect collection of information: Superintendent of Securities

Autorité des marchés financiers
800, Square Victoria, 22e étage
C.P. 246, Tour de la Bourse
Montréal, Québec H4Z 1G3
Telephone: (514) 395-0337 or 1-877-525-0337
Facsimile: (514) 873-6155 (For filing purposes only)
Facsimile: (514) 864-6381 (For privacy requests only)
Email: financementdessocietes@lautorite.qc.ca (For corporate finance issuers)
Public official contact regarding indirect collection of information: Corporate Secretary

Financial and Consumer Affairs Authority of Saskatchewan
Suite 601 - 1919 Saskatchewan Drive
Regina, Saskatchewan S4P 4H2
Telephone: (306) 787-5842
Facsimile: (306) 787-5899
Public official contact regarding indirect collection of information: Director

information: Superintendent of Securities

EXHIBIT 1

INVESTOR PRESENTATION

(See attached.)

Document comparison by Workshare Compare on Friday, January 12, 2018 10:44:19 AM

Input:	
Document 1 ID	PowerDocs://TOR_2528/23287504/5
Description	TOR_2528-#23287504-v5-Fair_Hydro_OM_-_Comments_of_the_Province
Document 2 ID	PowerDocs://TOR_2528/23287504/6
Description	TOR_2528-#23287504-v6-Fair_Hydro_OM_-_Comments_of_the_Province
Rendering set	standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	57
Deletions	46
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	103

Fair Hydro Trust
Investor Presentation

January [xx], 2018

23291241.1

Disclaimers

This presentation and its contents are being supplied for informational purposes only by Fair Hydro Trust (the Issuer) and are not an offer to buy or sell or a solicitation of an offer to buy or sell any securities of the Issuer.

This presentation does not, and does not purport to, contain all information that may be material to an investment decision in respect of the Issuer's Notes. It is only a summary of certain information in respect of the Issuer. Prior to making an investment decision with respect to the Issuer's Notes, prospective investors should carefully review the Confidential Shelf Offering Memorandum, including the related Term Sheet, pursuant to which such Notes are offered (the Offering Memorandum). The information and opinions contained in this presentation are qualified in their entirety by reference to the Offering Memorandum. **[Consider indicating that the presentation is incorporated by reference into and forms part of the OM]** In particular, reference should be made to the risks of any investment in the Issuer's Notes offered and the statutory rights of rescission or rights to damages available to purchasers of such Notes described in the Offering Memorandum. No representation or warranty, express or implied, is given by or on behalf of the Issuer, the Agents or any other person as to the accuracy or completeness of the information or opinions contained in this presentation.

Some of the statements contained in this presentation, including those relating to the Issuer's expectations, forecasts, strategic and other statements, are forward-looking information within the meaning of securities laws. The forward-looking information contained in this presentation is presented for the purposes of assisting prospective purchasers in making an investment decision regarding the Notes and may not be appropriate for other circumstances. Reference should be made to the information under the headings "Caution Regarding Forward-Looking Information" and "Risk Factors" in the Offering Memorandum.

The information presented herein is only current as of the date on the cover of this presentation. Except as required by law, neither the Issuer nor Ontario Power Generation (OPG) intends, or assumes any obligation, to revise or update any information in this presentation.

By attending this presentation, or accepting a copy of this presentation, each prospective purchaser agrees that all information contained herein, all documents delivered in connection herewith and all other information obtained by such prospective purchaser in relation to the Issuer or OPG (collectively, the Confidential Information) is confidential, that none of the Confidential Information will be copied, transcribed, recorded or transmitted by the recipient for any reason or used for any purpose other than evaluating an investment in the Issuer's Notes, and that the recipient will hold all of the Confidential Information in confidence and will not provide any of it to third parties other than persons retained to advise the recipient with respect to the purchase of the Issuer's Notes (so long as they advise such persons of the confidential nature of such Confidential Information), without the prior written consent of the Issuer and OPG.

Presenters

ONTARIO POWER GENERATION

Ken Hartwick
Chief Financial Officer & Senior Vice President – Finance

John Lee
Vice President, Treasurer

Table of Contents

I. Introduction and Transaction Overview
II. Ontario Electricity Market
III. Legislative and Regulatory Framework
IV. Contractual Framework
V. Financing Program
VI. Summary of the Offering
VII. Key Risks and Mitigants
VIII. Investment Highlights





I. Introduction and Transaction Overview

Introduction

Ontario's Fair Hydro Plan

- ~~The Province of Ontario announced its Fair Hydro Plan (FHP) on March 2, 2017, which proposed to lower the average electricity bill for eligible customers1 (referred to as Specified Consumers) by 25% (the Fair Adjustment)~~
- ~~The 25% reduction includes an 8% rebate equivalent to the provincial portion of the harmonized sales tax granted by the Ontario government in January 2017~~
- ~~It is expected that the rate reduction will be in effect until April 30, 2021, with any rate increases until that date limited to the rate of inflation in Ontario~~
- **[Rather introduce by focusing on the enacted legislation. Earlier plan and announcement were superceded by the more detailed context of the legislation.]**

Legislation

- On June 1, 2017, the Ontario government passed the *Ontario Fair Hydro Plan Act, 2017* (~~together, with the regulations promulgated thereunder,~~ the "FHPA" or "Act"). **[Track the purpose language in s. 3 OFHPA. Rate reduction is incidental and need not be emphasized.]**
- The FHPA is supplemented by regulations related to the implementation of the FHPA (the "Regulations" and (together, with the Regulations, the "[Legislation]").
- The FHPA imposes an irrevocable and non-bypassable charge recoverable from Specified Consumers and referred to as the Clean Energy Adjustment (CEA). The CEA for a period ~~that~~ will be determined in accordance with the Legislation by Ontario Power Generation (OPG) in its role as Financial Services Manager under the Act.
- The CEA will be determined for each month during successive six month reference periods and will be ~~period and~~ converted by the Ontario Energy Board (OEB) into a cent per ~~$/~~kWh rate and added to electricity invoices sent to Specified Consumers ~~commencing on May 1, 2021~~.
- From [July 1, 2017] to April 30, 2021 (the "Moratorium Period"), no payments in respect of the CEA are expected to be collected. During the Moratorium Period and until July 31, 2021, ~~CEA will be collected; during this period~~ the Independent Electricity System Operator (IESO) is obligated to pay all funding and [other expenses] of the [Trust][Financing Entities] (excluding principal) (referred to as "Carrying Costs")

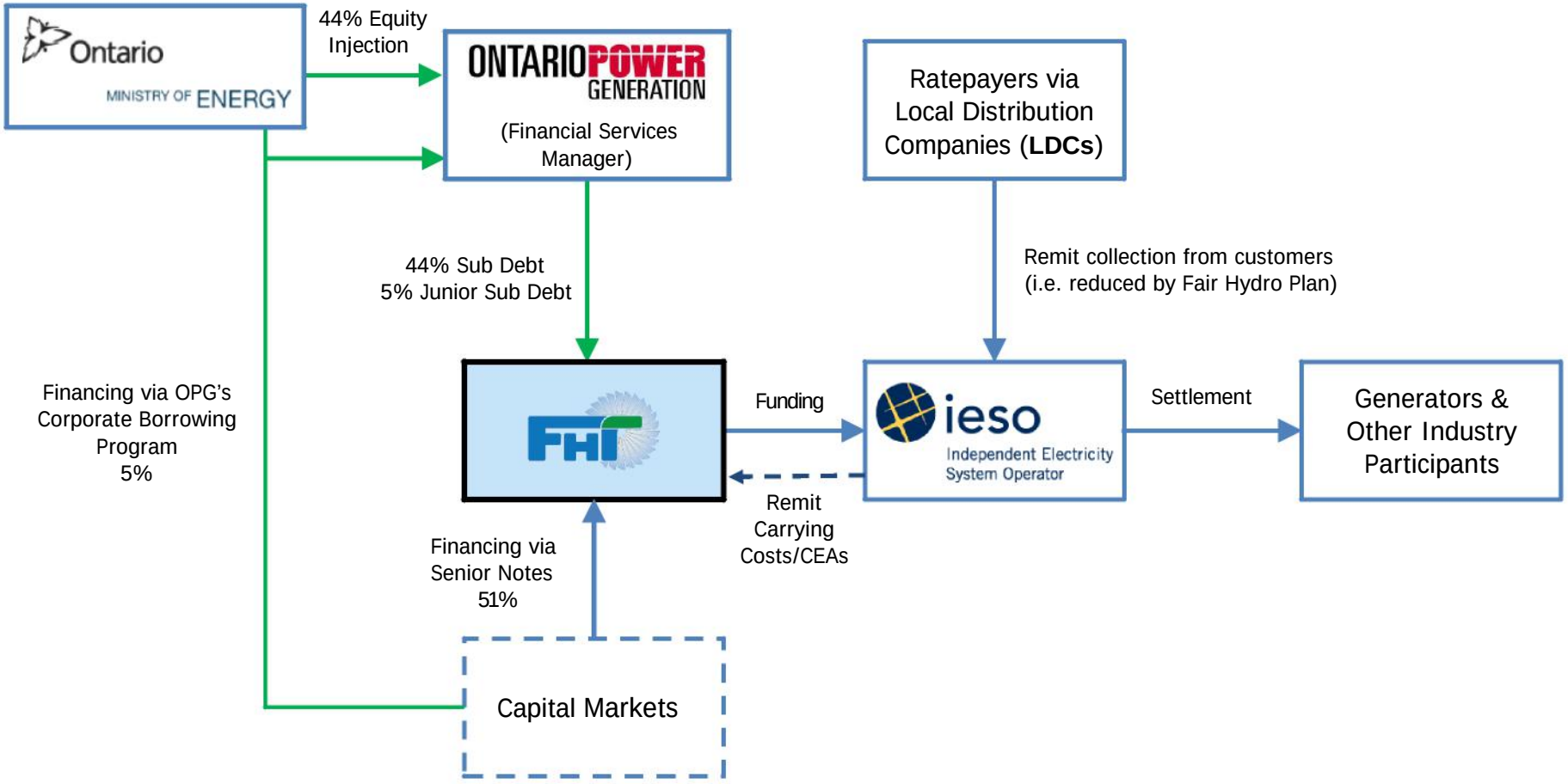
Fair Hydro Trust

- The implementation of the Fair Hydro Plan will be financed by the Fair Hydro Trust ("FHT", the "Trust" or the "Issuer") **[Consider other financing entities?]**through the issuance of senior, subordinated and junior subordinated notes.
- Structured to be bankruptcy remote and even though consolidated by OPG on an accounting basis is ring fenced from OPG's other creditors
- The FHT term notes will be repaid through the CEA payments received from Specified Consumers or from the proceeds of one or more refinancings.

1 Primarily Regulated Price Plan-eligible customers.

Transaction Structure

- Concurrent with every issuance of senior notes, it is expected that OPG will purchase subordinated debt and junior subordinated debt of the Trust in an aggregate amount not to exceed 49% of all outstanding debt



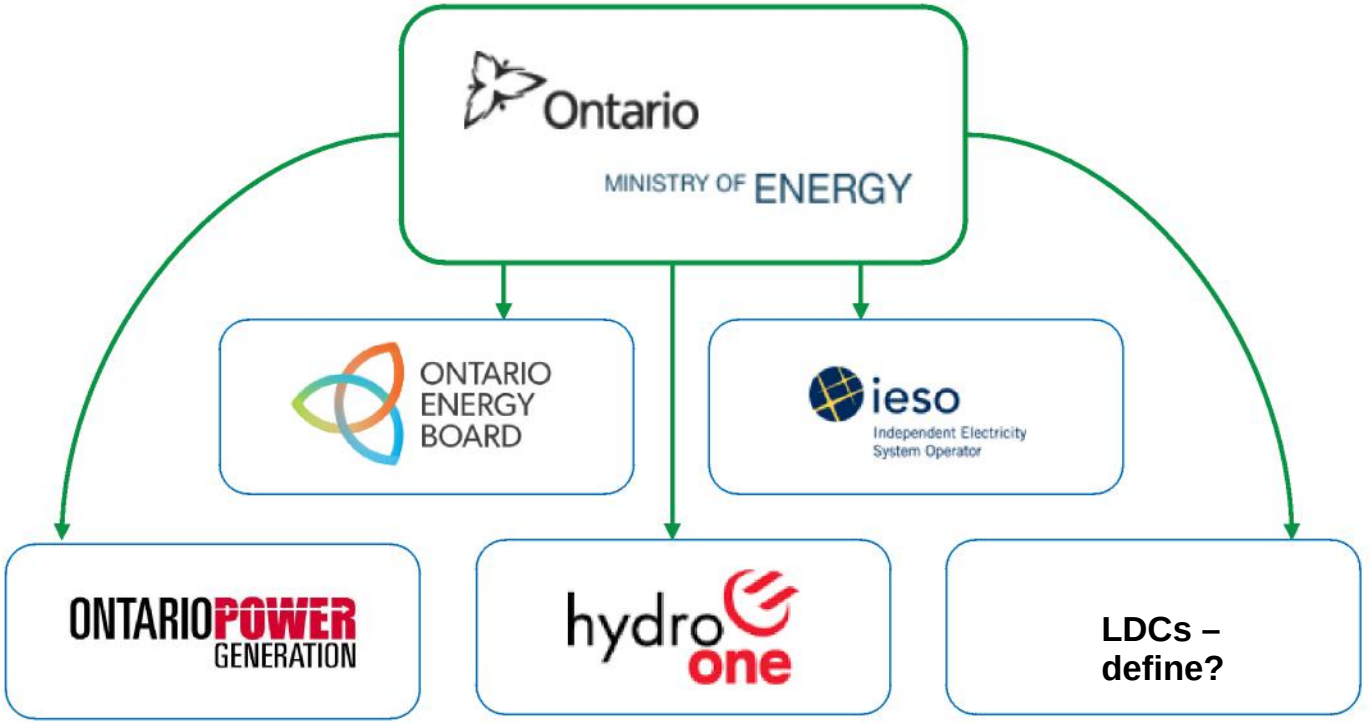
Note: The diagram above is based on subordinated debt of 49% of all outstanding debt; under the Master Trust Indenture, the Trust covenants to maintain the level of subordinated debt plus junior subordinated debt at not less than [35% of all outstanding debt] **[Elaborate]**

Note: The assets and liabilities of the Trust are deemed, under the *Electricity Act, 1998* to exclude the assets and liabilities of OPG, and vice versa. **[Needed?]**

II. Ontario Electricity Market

Overview of Ontario's Electricity Market

- Highly regulated electricity market comprised primarily of three components: generation, transmission and distribution; ~$22 billion in average annual cash flows[1]
- Transmission rates, distribution rates, and OPG's regulated rates are set by the OEB
- Rates for the majority of the remaining generation supply are set by direct contracts with the IESO (e.g. wind, solar, hydroelectric)



[1] Source: "Ontario Planning Outlook – A technical report on the electricity system prepared by the IESO" dated September 1, 2016. The amount represents the mathematical average of the system costs on page 44 in the appendix to the technical report, entitled "Data Tables for the OPO Technical Report".

Key Industry Participants

Participants	Credit Ratings *(DBRS / S&P / Moody's)*	Description
Ontario Ministry of Energy	**AA (l) / A+ / Aa2** [1]	• The Province of Ontario through the Ministry of Energy sets the policy for the electricity system
Ontario Energy Board	**--**	• Independent public regulatory agency established under the *Ontario Energy Board Act, 1998* and has the authority to regulate Ontario's electricity market, including the activities of transmitters and distributors • Sets the regulated price for the commodity cost charged to most residential electricity customers via the Regulated Price Plan (RPP); RPP rates are set twice a year (May and November)
IESO Independent Electricity System Operator	**A(h) / -- / Aa2**	• Not-for-profit corporation established under the *Electricity Act, 1998 (Ontario)* • Manages the operation and reliability of Ontario's bulk power system and administers the wholesale electricity market
Ontario Power Generation	**A(l) / BBB+ / --**	• Corporation formed under the *Business Corporation Act (Ontario)*, whose sole shareholder is the Province of Ontario • Principal business is the generation and sale of electricity in Ontario and is Ontario's largest clean energy electricity generator, providing approximately half of the province's electricity
hydro one	**A(h) / A / A3**	• Ontario's largest electricity transmission and distribution company, delivering electricity to over 1.3 million customers across the province, and to large industrial customers and municipal utilities **[Relevance? Not named in OM.]**

[1] The credit ratings noted are for the Province of Ontario.

Key Industry Participants – LDC Overview

- As part of the restructuring of Ontario's electricity industry under the *Energy Competition Act, 1998*, the municipal electricity utilities became municipally-owned business corporations, including LDCs. The majority of LDCs continue to be municipally-owned, while others have been sold to or acquired by Hydro One or private-sector owners
- An LDC is responsible for distributing electricity to customers in its OEB-licensed service territory, and in some cases to other distributors

Select Aggregate Market Stats[1]

Number of LDCs in Ontario	65
Residential & Small Commercial[2] Revenue	$18.89 billion
Residential & Small Commercial[2] Metered Usage (kWh)	52.39 billion
Residential Customers	4.61 million
Small Commercial[2] Usage Customers	0.44 million
Total Residential & Small Commercial[2] Customers	5.05 million

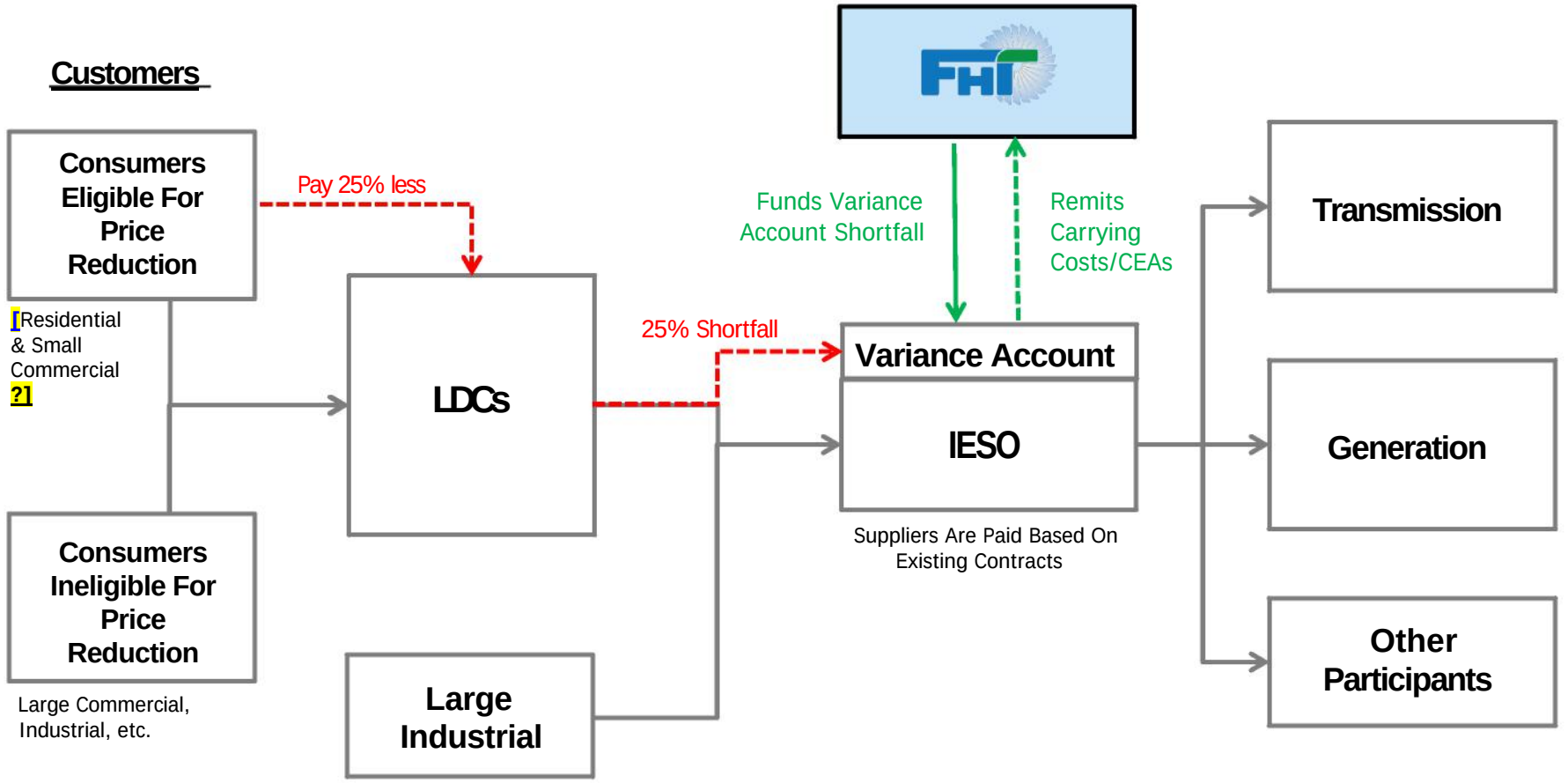
Top 5 LDCs by Customer Base[1]

	Rating[3] *(S&P/DBRS/Moody's)*	Customers[4] *(MM)*	Revenue[4] *(C$MM)*
hydro one	A / A(h) / A3	1.30	$4,533
alectra utilities	A / A / --	0.96	$3,642
TORONTO HYDRO	A / A / --	0.75	$3,886
HydroOttawa	BBB+ / A / --	0.32	$1,130
London Hydro	A / -- / --	0.15	$488
		3.49	$13,680

1 Source: OEB 2016 Yearbook of Electricity Distributors **[UPDATE?]**
2 Small Commercial includes General Service <50kW Customers
3 Most recent rating reports from S&P, DBRS and Moody's
4 Residential and Small Commercial customers **[COMPARE TO SPECIFIED CONSUMERS?]**

Electricity Market with FHT

- Under the FHPA, each month the IESO determines the shortfall that [results from the Fair Adjustment] **[Please consider more precisions. See the statutory definition of "IESO deferral".]** and records this amount, together with financing costs, in a variance account
- FHT will [acquire the Investment Interest to be financed by…] ~~finance the~~ ~~shortfall and is entitled to recover~~ The acquired Investment Interest entitles FHT to be paid an amount determined by reference to its costs and the principal and interest on its debt, through CEAs from Specified Consumers



III. Legislative and Regulatory Framework

Legislation Overview

Purpose	• The FHPA was enacted to ensure that clean energy costs and clean energy benefits are fairly allocated among present and future Specified Consumers • Clean energy costs are costs allocated to consumers as a result of Ontario's clean energy initiatives; clean energy benefits are benefits that accrue to both present and future electricity consumers
Specified Consumers	• A category of consumers that generally is comprised of residential consumers, small businesses and farms • Includes consumers with a demand for electricity of 50 kW or less or those that use not more than 250,000 kWh of electricity annually
Rate Reduction Period	• **July 1, 2017** – **April 30, 2018** – Specified Consumers charged an invoice amount that is 25%[1] less than the regulated rate that would otherwise have been determined by the OEB; the 25% reduction includes an 8% rebate equivalent to the provincial portion of the HST previously granted by the Ontario government • **May 1, 2018** – **April 30, 2019** - regulated rate established in the first year of the Rate Reduction Period anticipated to increase by the rate of inflation in Ontario • **May 1, 2019** – **April 30, 2021** - rate reductions **[**will be established by future regulation**]** **[Not determined]** but anticipated to increase by the rate of inflation in Ontario **[Not confirmed]**

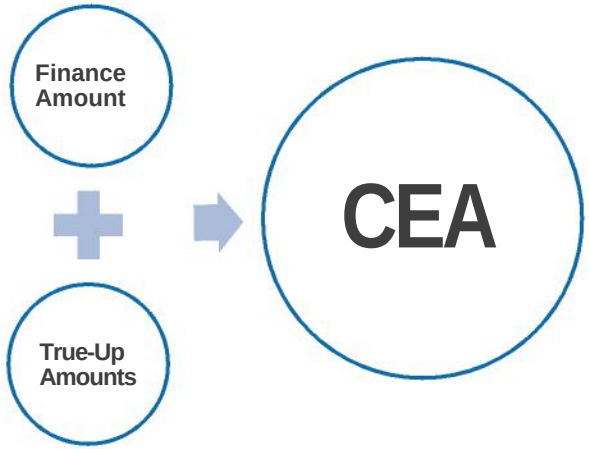
[1] Based on a typical Toronto Hydro customer; the amount of the reduction for any given Specified Consumer may vary from this account.

Legislation Overview, cont'd

Regulatory Asset	• Each month the IESO determines [the shortfall that results from the Fair Adjustment] **[Replace with concept of IESO deferral]** and records this amount, together with the costs of financing the shortfall, in a variance account • The IESO has the right to recover the balance recorded in the variance account from Specified Consumers (such right is the "Regulatory Asset") • The IESO may transfer a specified portion of the Regulatory Asset to **[**the Trust**]** for a cash purchase price equal to the corresponding amount recorded in the variance account
Investment Asset and Investment Interests	• The Trust is not obligated to purchase Regulatory Assets from the IESO • If the IESO and the Trust agree to the transfer of a specified portion of the Regulatory Asset, such transfer results in the creation of a current and irrevocable property right that is immediately vested in the Trust (such right is an "Investment Interest") • By acquiring an Investment Interest, **[**the Trust**]** will be entitled to recover all of its associated financing costs and acquires the right to impose, invoice, collect, receive and recover CEAs from Specified Consumers in accordance with the Legislation
Moratorium Period *(July 1, 2017 to April 30, 2021)*	• CEAs are **[**not permitted to be collected from Specified Consumers during this period**]** **[Conform to Legislation]** • The IESO is obligated to pay [the Trust all Carrying Costs**]**, excluding repayment of principal on any debt obligations, during the Moratorium Period and extending to July 31, 2021. The Carrying Costs incurred by the IESO will be added to its Regulatory Asset variance account pursuant to Regulations • As security for the performance of its obligations, the IESO has granted the Trust a first-priority security interest in all of its accounts receivable owing by Electricity Vendors to the IESO • The IESO has a $2 billion general credit facility from the Ontario Financing Authority (OFA) which can be used to pay the Carrying Costs **[Suggestive that OFA line will necessarily be available to cover varying costs?]**

Clean Energy Adjustments

- Under the FHPA, the CEA is the amount payable by Specified Consumers to cover the [cost of financing the shortfall from the Fair Adjustment] **[consider precision/alignment with Legislation]** and the associated costs of the financing, including payment of principal, operating costs of the Trust and funding of
- CEAs shown on an invoice issued to Specified Consumers represents the amount of the consumers' indebtedness and may not be set off or bypassed

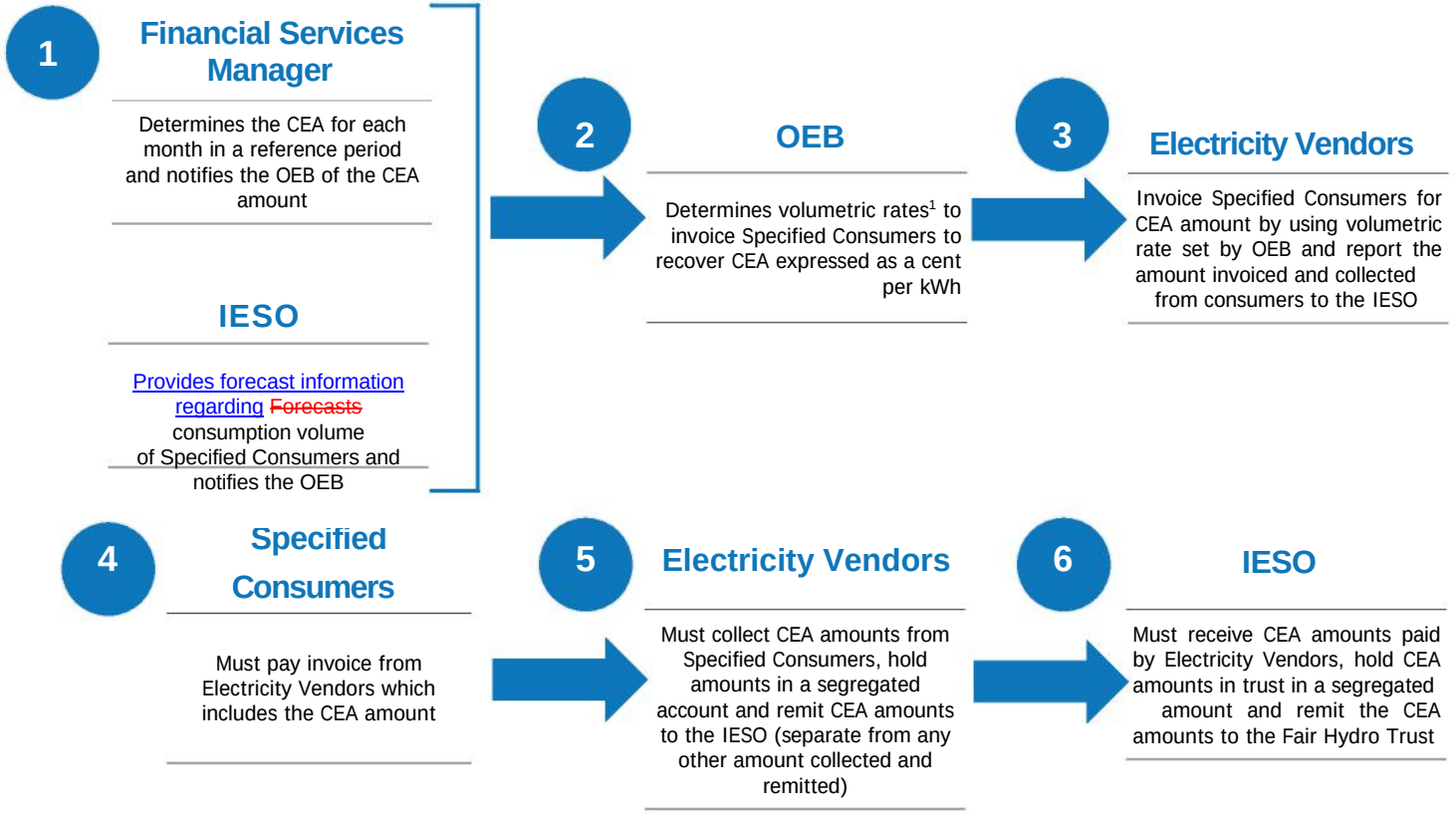


Finance amount = estimate of the amount payable by the Trust mainly in respect of principal payments, interest costs, Trust expenses and taxes, reserve account deposits and derivative payments

True-up amounts capture the difference between the finance amounts incurred by the Trust and the CEAs collected from Specified Consumers and also include other anticipated shortfalls and differences due to various factors (e.g. consumer defaults and delays, billing lags, write-offs and variations in electricity consumption)

Billing and Collection of CEAs

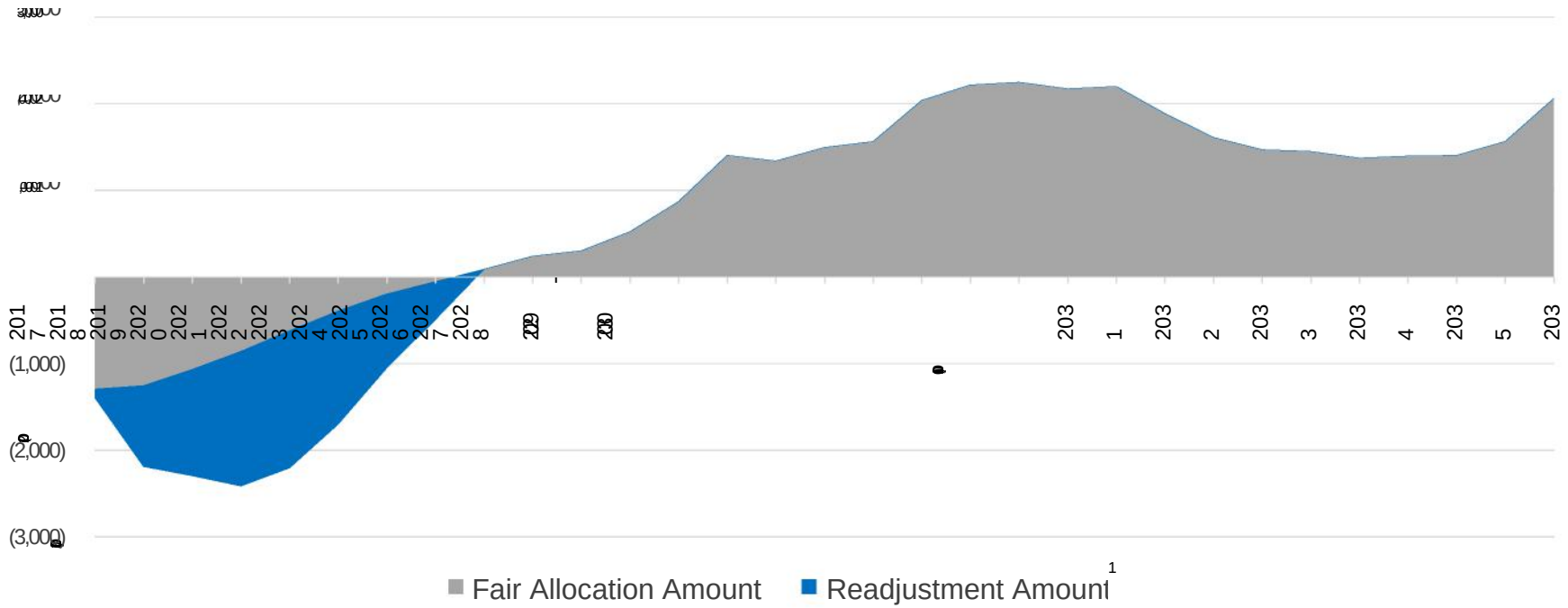
- CEA amounts for billing and collection purposes will be managed outside of the IESO's current settlement processes set out in the Market Rules for electricity invoice amounts
- Collection risk for CEA amounts are mitigated through statutory rights in the FHPA, the collection obligations of the IESO under the Master Transfer & Servicing Agreement (MTSA), and the ability to include amounts into the true up mechanism
- IESO is allowed to commingle the CEAs during a monthly period before remitting to FHT. If the IESO's rating is downgraded below investment grade, it will not be allowed to commingle CEAs and will remit within two business days of receipt



[1] The rates will be determined by dividing the CEA amount by the forecasted energy consumption in the reference period by Specified Consumers.

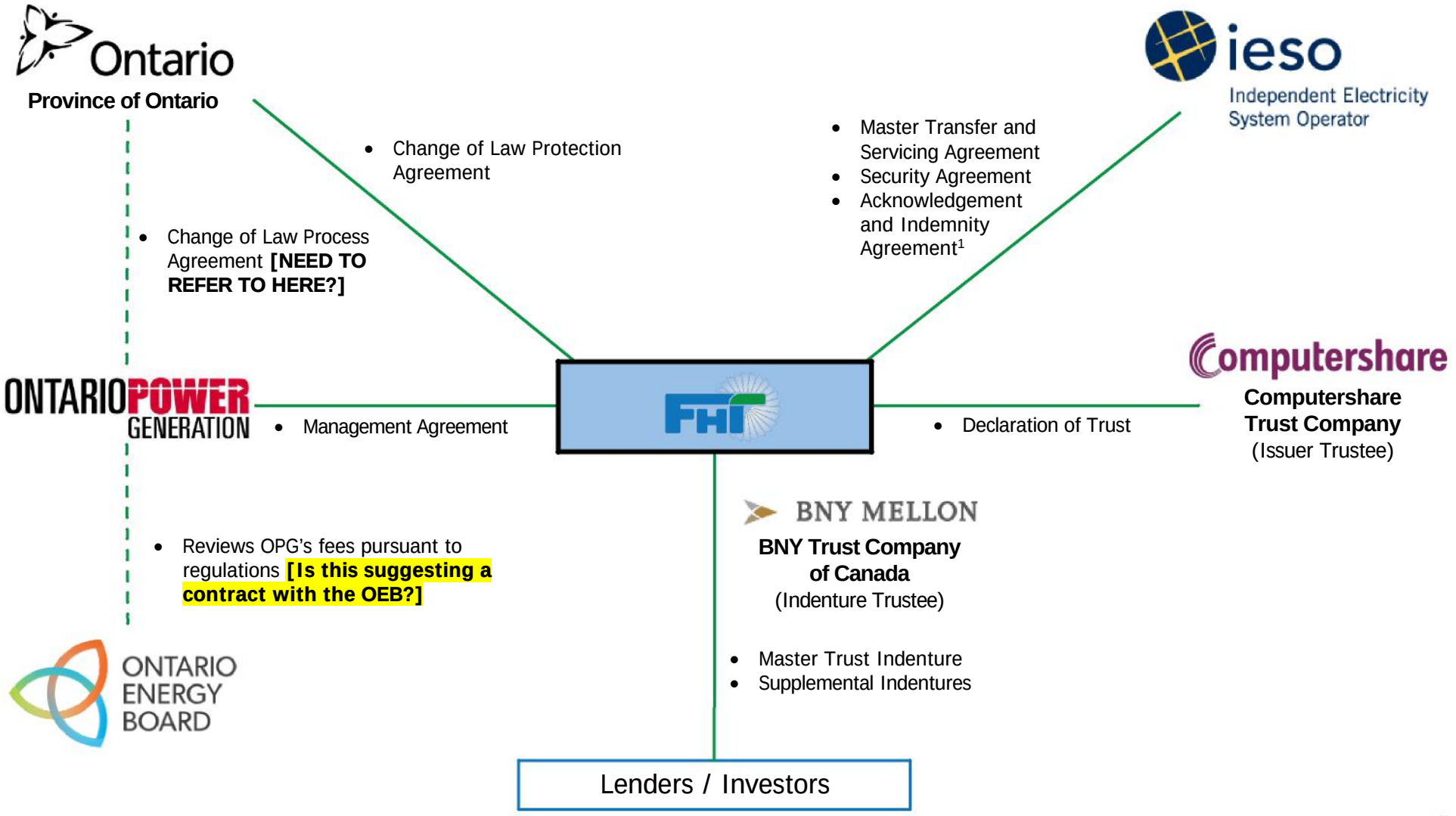
[CONFIRM IF FAIR ALLOCATION SHOULD BE INCLUDED. NOT IN OM. CONSIDER ANY CONFIDENTIALITY CONCERNS.]

[Please note that this graph was distorted in converting the pdf to Word.]



IV. Contractual Framework

Simplified Contractual Structure



[1] Agreement between IESO and Indenture Trustee.

Key Agreements

Change of Law Protection Agreement

Parties	• (1) Province of Ontario and (2) Indenture Trustee, ~~as Trustee of the Issuer, on behalf of Specified Creditors~~[1] as trustee for Specified Creditors[1], and (3) OPG as Financial Services Manager (FSM) and as Manager
Purpose	• Provides assurance to Specified Creditors that upon the occurrence of a Protection Event referred to below, the Province of Ontario will pay all Approved Obligations on behalf of the Trust, with limited rights of acceleration
Key Terms	• **Term**: Continues for as long as any protected obligations of the Trust that are secured under the Master Trust Indenture (MTI) remain outstanding **[Conform to agreement]** • **Limited Guarantee** ~~**Mandatory Payment**~~: Upon the occurrence of a Protection Event, the Indenture Trustee has the right to require the Province to pay all Approved Obligations when due and payable (subject to limits on payment obligations following an acceleration) • **Priority of Payments**: The priority application of guarantee payments is governed by the waterfall provision under the MTI • **Adherence Conditions**: For the Limited Guarantee to apply to an obligation of the Trust, OPG as FSM is required to comply with certain conditions, including the delivery of an Adherence Compliance Certificate, prior to the incurrence of such obligation (such obligation called ~~issuance of debt which is to benefit from the Change of Law Protection Agreement from the Province (such debt~~ "Approved Obligations") • **Suspension Notice**: The Province may deliver a suspension notice upon the occurrence of the acceleration of any indebtedness of the Trust or other [Program Breach] or a default in performance or misrepresentation by OPG as FSM pursuant to certain internal reporting and other requirements contained in a change of law process agreement between OPG and the Province. Any ~~, and any~~ new funding obligations that are incurred during a suspension period will not have the benefit of the Limited Guarantee ~~Change of Law Protection Agreement,~~ except that the Change of Law Protection Agreement applies to Post-Suspension Refinancing of previously issued Pre-Approved Refinancing

[1] **Specified Creditors** are any other Person that is owed a payment obligation by the Issuer that gives rise to a Finance Amount in respect of the Issuer.

Key Agreements

Change of Law Protection Agreement (cont'd)

Protection Events

10

(1)

- The Legislature repeals (and does not replace on an equivalent basis) or amends the Act or any portion thereof as in effect on the date hereof
- The Legislature enacts or amends any other statute
- The Lieutenant Governor in Council repeals (and does not replace on an equivalent basis) the regulations made under the Act or any portion thereof as in effect on the date hereof
- The Lieutenant Governor in Council, a minister of the Crown, an official of the government or a board or commission all the members of which are appointed by the Lieutenant Governor in Council makes or amends any "Regulation" (as defined in Part III of the Legislation Act, 2006) as in effect on the date hereof
- The implementation of a change in the organization or structure of the IESO or Ontario's electricity market undertaken at the initiative of the Province or an entity controlled by the Province

in each case that adversely affects the ability of the Trust to pay its obligations when due and payable, taking into account any funds available in reserve accounts, any credit enhancement available and any reasonably expected potential effect of a true-up amount

(2)

- A court of competent jurisdiction determines that all or a portion of the Act or the regulations made under the Act, is *ultra vires* or invalid in a way that adversely affects the ability of the Trust to receive amounts in respect of its Investment Interest so that it can pay Approved

Key Agreements (cont'd)

Master Transfer and Servicing Agreement

Parties	• (1) IESO, as transferor and servicer; (2) Trust
Purpose	• Provides for the transfer, by the IESO to [the Trust] of the Regulatory Asset, and upon such transfer the Trust acquires an Investment Interest and describes the servicing obligations of IESO
Key Terms	• **Transfer of Regulatory Asset**: The IESO may offer, no more frequently than monthly, to transfer the specified portions of the Regulatory Asset to the Trust. The Trust has the right, but not the obligation, to accept IESO's offer. • **Servicing Duties:** The IESO will be responsible for servicing the Investment Interest under the regulations **[Consider distinguishing MTSA and regulations]**, including collecting CEA amounts from Electricity Vendors and remitting the same to the [Trust], including: – Establishing a segregated account for collecting CEAs and use reasonable efforts to cause Electricity Vendors to do the same; – Collect CEAs from Electricity Vendors; – Remit CEAs monthly to [the Trust] (unless downgraded below investment grade in which case it will remit daily); – Prepare monthly servicer reports; and – Forecast electricity consumption of Specified Consumers • **Moratorium Period:** During the Moratorium Period (until April 30, 2021) and extending to July 31, 2021, the IESO is required by regulation to fund all Carrying Costs of the Trust. The Carrying Costs incurred by the IESO will be added to its Regulatory Asset variance account pursuant to regulation. • **IESO Letter of Credit:** After the Moratorium Period, the IESO will provide the Trust, a letter of credit or other form of security, as security for the commingling risk of CEAs collected by non-rated or non-investment grade rated Electricity Vendors and not yet remitted to the IESO

Key Agreements (cont'd)

Management Agreement

Parties	• (1) Issuer Trustee, on behalf of the Trust, and (2) OPG, as Manager and acknowledged and accepted by the Indenture Trustee, as trustee for ~~on behalf of~~ Specified Creditors
Purpose	• Issuer Trustee delegates to the Manager all powers and duties of managing the Trust
Key Terms	• **Duties Include**: – Negotiating and executing program agreements; – Preparing, in accordance with applicable securities laws, any offering documents to be furnished by the Trust to prospective purchasers of funding obligations; – Review or cause to be reviewed, records of electricity vendors on an annual basis with respect to CEAs (or less frequently in certain circumstances); – Preparing monthly portfolio reports; – Preparing financial statements; and – [Paying taxes on behalf of the Trust]**[Confirm OPG's obligation re tax]** • **Incurrence of Funding Obligations**: Manager will determine how and when to incur funding obligations to acquire Investment Interests **[Or is this the FSM?]** • **Standard of Care**: Manager will perform its duties diligently and in conformity with the Trust's obligations under the program agreements • **Resignation/ Termination:** Manager may not resign from its duties or terminate the Management Agreement as long as funding obligations of the Trust are outstanding • **Management Fees:** OPG is entitled to charge the Issuer a fee to earn a return and to recover costs and expenditures incurred by OPG on behalf of the Issuer

Key Agreements (cont'd)

Other Key Agreements

Security Agreement	• As security for the performance of its obligations under the Regulations to pay the Trust's carrying cost during the Moratorium Period, IESO has granted the Trust a first priority security interest in all of its accounts receivable owing by Electricity Vendors
Acknowledgement and Indemnity Agreement (IESO)	• IESO, as servicer under the MTSA, acknowledges that a security interest has been granted to the Indenture Trustee thereby assigning as security the rights and benefits of the Issuer under the MTSA to the Indenture Trustee, including the right to enforce the indemnities provided to the issuer with respect to IESO's duties and obligations under the MTSA
Change of Law Process Agreement	• Outlines procedural requirements between the Province and OPG with respect to issuing debt that benefits from the Limited Guarantee under the Change of Law Protection Agreement • Among other things, OPG is required to deliver to the Province a process certificate, outlining the material terms of proposed debt issues and confirm such debt offerings will not cause the protection agreement maximum (as updated from time to time in the Financing Plan) to be exceeded
Declaration of Trust	• Establishes FHT to carry out activities for the exclusive benefit of its unitholders • Specifies the rights and powers of the Issuer Trustee (Computershare) • The Issuer Trustee has delegated substantially all of [the powers and] **[Confirm]** duties of managing the Trust to OPG under the Management Agreement

Allocation of Servicing Role and Responsibilities

- The shared responsibilities of servicing and management roles are summarized below

	OPG	IESO	LDC
Review Records of LDCs with Respect to CEAs (annually or less frequently in certain circumstances)	☐		
Determination of CEA for a Reference Period, including the True-Up Amount	☐		
Ongoing Reporting for Trust and Reporting to the Rating Agencies	☐		
Management of Ongoing Debt Issuances	☐		
Cash Management	☐	☐	
Preparation of Monthly Servicer Reports		☐	
Remittance of CEA to IESO and to the Trust		☐	☐
Responding to inquiries by customers if practicable, or forwarding such inquiries to OPG		☐	☐
Customer Billing			☐
Customer Collections			☐
Customer Meter Reading			☐

V. Financing Program

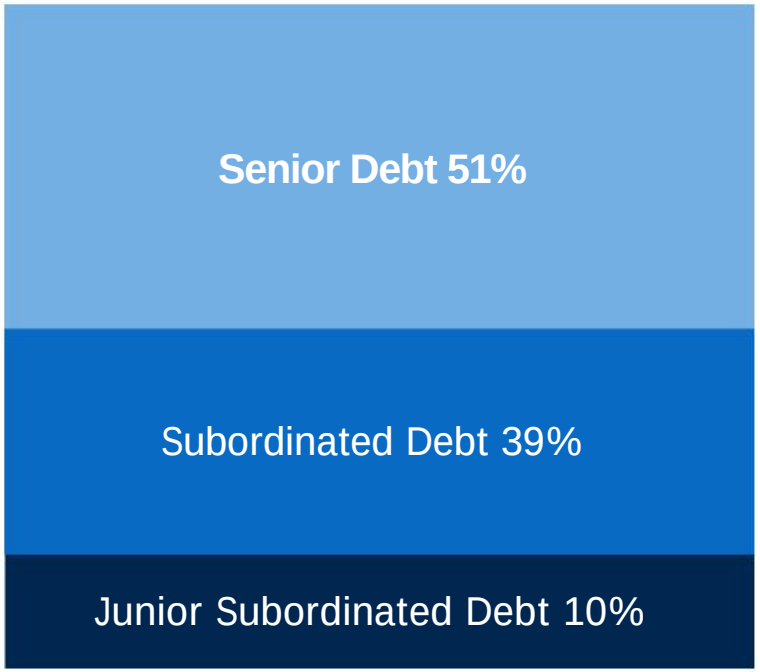
Financing Plan / Strategy

- OPG is responsible for administering the FHT financing program, as the initial FSM appointed under the Act
- Given the size (~[$20][Confirm] billion) and longevity (~[10][Confirm] years) of the FHT financing program, the funding strategy has been designed to provide flexibility
- Initial Warehouse financing (ABCP conduit and bank funded senior debt) and subordinated warehouse debt and junior subordinated warehouse debt funded by OPG will be used to fund monthly [Regulatory Asset purchases] from the IESO
  - Periodically refinance the warehouse facility through the issuance of term debt (likely access the market 2-3 times per year)
- For example, Term debt can take the form of bullet bonds or could be issued as amortizing bonds

Initial Warehouse	• ABCP conduit and bank funded senior debt and subordinated debt funded by OPG will be used by the Trust to fund monthly Regulatory Asset purchases from the IESO
Term Debt	• Term debt issuances will be used to refinance warehouse financing and the subordinated debt and junior subordinated debt funded by OPG • Both Canadian term debt [and U.S. term debt market will be considered] **[Confirm]** • Maturity profiles will be structured to ensure reasonable alignment with the FAA (bullet bonds with sinking funds or amortizing bonds) **[Describe possible refinancings of shorter maturing debt?]**
Subordinated Debt	• Subordinated debt provides credit enhancement for senior debt (ranks behind senior debt in cash flow waterfall **[Principal only?]**)

Financing Structure

- The Trust will fund Regulatory Asset purchases through the issuance of senior, subordinated and junior subordinated secured debt
- Senior debt (51%) will be sourced monthly from committed warehouse facilities, and the periodic issuance of term debt
- Subordinated debt (49% anticipated; minimum of 35% required) will be **[Incurrence or maintenance requirement?]** purchased by OPG, primarily funded by equity injections from the Province (44% of the 49%) and the remaining portion from OPG (5% of 49%)



Senior Notes
Warehouse facilities and term debt issuances (in Canada and/or the U.S.)

Subordinated Notes
Provided to Trust by OPG via equity injection from the Province

Junior Subordinated Debt
- OPG equity injection (5%) via its corporate borrowing program
- Provided to Trust by OPG via the Province (5%)

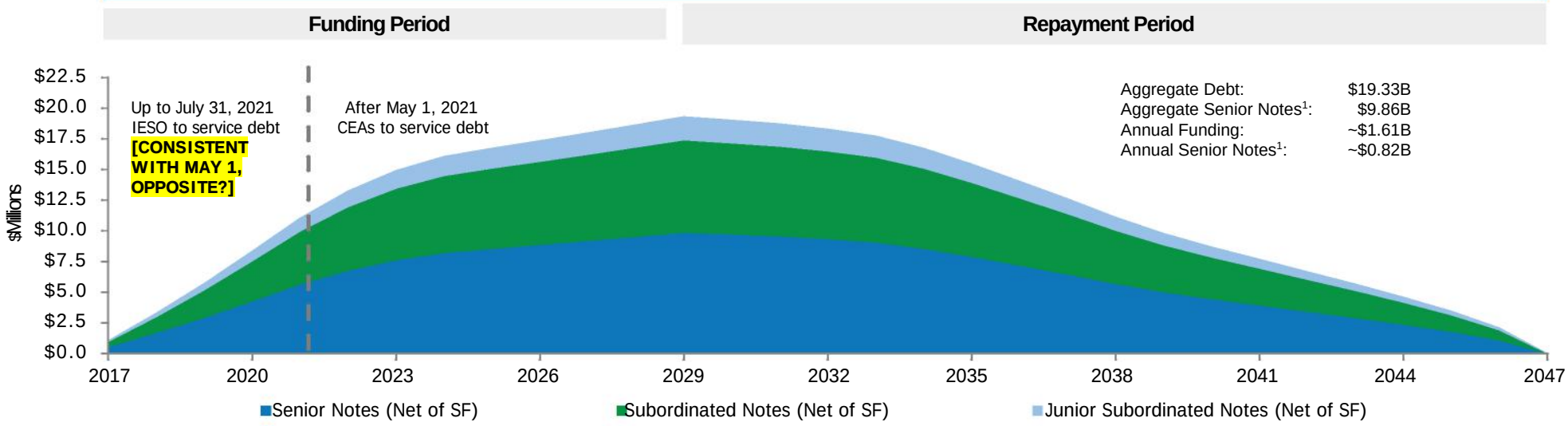
Note: Assumes 49% Subordinated Debt.

Aggregate Financing Program

Illustrative Debt Summary - Funding & Repayment Period (Annual)

- Based on the Fair Allocation Amount **[repayments, but not incurrences]** and the [Province's electricity bill reduction targets **[Can this be suggested? Known?]** the following debt profile for the program is expected, peaking at just under $20 billion by 2029 **[Confirm]**
- Various tranches of debts will be issued periodically during the period of 2017 - 2028, which are expected to mature over a period after 2029 **[Confirm. Consider refinancings or shorter maturities?]**

Illustrative Aggregate Funding and Repayment Profile (Annual; Net of Sinking Fund ("SF") Payments)

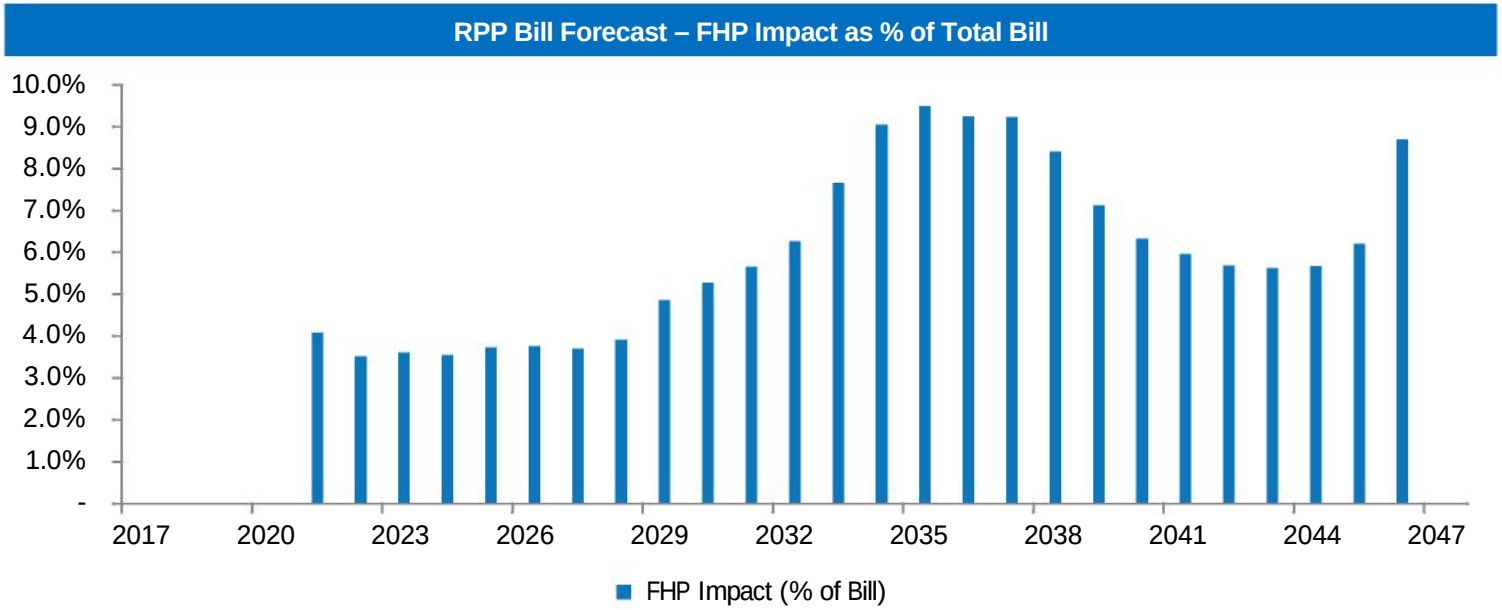


[1] Assumes 51% Senior Notes

Consumer Bill Forecast with FHP

RPP Bill Forecast - FHP Impact % of Total Bill (C$ per Month)

- Over the duration of the Fair Hydro Program, the CEA for the average residential customer is anticipated to remain below 10% of the total electricity bill **[Can this be suggested? Known?]**
- Max CEA as a percent of the total bill is forecast to be 10.1% **[Known? Assumptions?]**
- Average CEA as a percent of the total bill is forecast to be 6.9% **[Same?]**



Capital Markets Platform

Master Trust Indenture

Parties	• (1) Computershare Trust Company (Issuer Trustee), on behalf of the Trust, acting through OPG as the Manager; (2) BNY Trust Company (Indenture Trustee) on behalf of Specified Creditors
Purpose	• Governs the terms of the debt issued by FHT and cash flow waterfall and collateral structure for all Trust obligations to all Specified Creditors

Key Terms

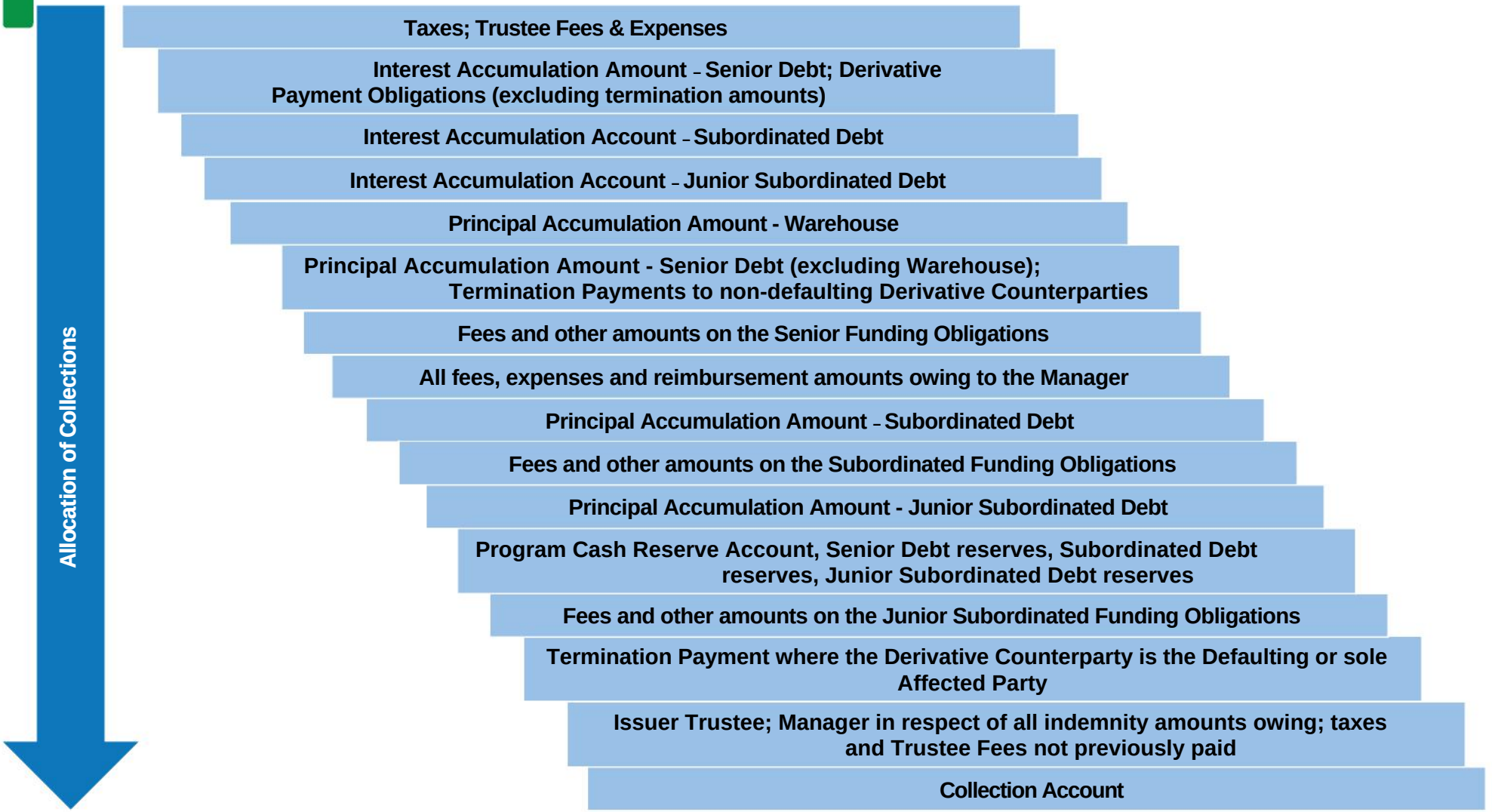
Incurrence of Funding Obligations	• Trust may incur funding obligations under a variety of instruments, including: – Note issuances under supplemental indentures – Borrowings under future credit agreements – Sales of notes under note purchase agreements – Letters of Credit/Guarantees under credit enhancement agreements – Liquidity loans under liquidity agreements backing short term notes
Conditions Precedent	• Prior to incurring additional funding obligations, the Trust confirms to the Indenture Trustee and each rating agency that: – the incurrence of such additional obligations will not cause an adverse effect – the incurrence of such additional obligations is materially consistent with the Financing Plan • It will also be a condition precedent that (i) each rating agency confirm that the issuance of such additional funding obligations will not result in a reduction or withdrawal of any existing ratings of outstanding funding obligations and (ii) the Indenture Trustee has received certain assurances as to the applicability of the Change of Law Protection Agreement to such funding obligations

Capital Markets Platform

Master Trust Indenture – Key Terms (cont'd)

Security	• Granted over all assets of the Trust, including the Trust's investment interest, all collections under the MTSA and all accounts
Subordination	• Provides for three different classes of funding obligations – (i) senior – (ii) subordinated – (iii) junior subordinated
Events of Default	• Include payment defaults, representation and covenant breaches, insolvency and Change of Law Protection Agreement ceasing to be in full force and effect against the Province
Acceleration	• Upon an acceleration, CEAs may be insufficient to repay all amounts becoming due in a period. CEAs for a period will be capped ~~CEAs cannot be increased to the level required to immediately repay all outstanding principal following acceleration. The increase in CEAs is limited~~ under the Regulation at the otherwise scheduled amounts, plus an additional amount if the aggregate of those otherwise scheduled amounts would be less than ~~to the amount available per~~ the FAA for the period • However, the amounts received from CEAs after an acceleration will be allocated to pay senior indebtedness before principal amounts owing on subordinated and junior subordinated indebtedness ~~CEAs are allocated to paying the senior indebtedness first~~. Accordingly, the subordination of debt across all series of debt should ~~would~~ advance the repayment of the principal amount for senior funding obligations • After an acceleration, all **[Confirm. Can a series elect to defer payment on acceleration?]** Senior Term Notes will be paid pa~~r~~ri passu

Waterfall



Note: This waterfall indicates the priority of payment prior to an Event of Default and acceleration; additional information on the priority of payments after an Event of Default and acceleration can be found in the Offering Memorandum.

Note: After paying interest on the senior debt, no interest payments will be made on the subordinated debt unless there will be sufficient amounts remaining in the Interest Accumulation Account for what should be accumulated for the Senior Notes after making such payments.

VI. Summary of Offering

Summary of Indicative Terms

Initial Fair Hydro Term Issuance	~~Class~~	~~Size~~	~~% of Trust~~	Expected Maturity	Principal Payment Default Date	Rating (DBRS / Moody's)
	Senior Term Notes	$[ ] mm	[ ]%	[ ]	[ ]	AAA (sf) / Aa2 (sf)
	Subordinated Notes	$[ ] mm (Not Offered)	[ ]%	[ ]	[ ]	[ ]
	Jr. Subordinated Notes	$[ ] mm (Not Offered)	[ ]%	[ ]	[ ]	[ ]
ssuer	Fair Hydro Trust, a single purpose, bankruptcy-remote wholly-owned subsidiary of the Financial Services Manager					
Financial Services Manager	Ontario Power Generation, Inc.					
Servicer	Independent Electricity System Operator					
Source of Repayment	• Moratorium Period: Statutorily mandated remittances (not including principal) from IESO (Up to July 31, 2021) • Post Moratorium Period: Non-bypassable charge from certain residential and commercial customers in Ontario, related collections and reserve accounts (After May 1, 2021)					
Principal Accumulation Date(s) and Principal Accumulation Amount(s):	Principal Accumulation Date ●, 20●			Principal Accumulation Amount $●		
Payment Frequency	Semi-annual					
Interest	Fixed rate					
Senior Note Credit Enhancements	• Semi-annual (or more frequent) True-up • Reserve Account • Subordination					
Program Cash Reserve Account	After Moratorium period, an amount equal to 0.50% of the aggregate amount of all outstanding Senior, Subordinated and Junior Subordinated funding obligations					
True-up	Calculated on at least a semi-annual basis post-moratorium period					
Subordination	Subordinated and Junior Subordinated Notes will be retained by OPG					
Additional Issuance	Master Trust Indenture allows for the issuance of additional notes subject to satisfaction of Rating Agency Condition					

VII. Key Risks and Mitigants

Risk Mitigation

Risk	Description of Risk	Mitigants
Political Risk	• Future legislative action to change or challenge/invalidate the Act or the Change of Law Protection Agreement might materially adversely affect a holder's investment in the Notes	• Limited Guarantee provided by the Province of Ontario via the Change of Law Protection Agreement in the Indenture Trustee for ~~favour of~~ lenders/investors in these
Under Collection	• If the IESO inaccurately forecasts electricity consumption or if OPG uses inaccurate consumer delinquency or write-off data when setting the CEA, there could be a shortfall in collections, which might result in missed or delayed payments of principal and interest on the Notes	• True up mechanism may result in a delay, but will be corrected in next True up **[Frequency?]** • Cash reserve and 35%-49% subordination which would first absorb any shortfalls **[Maintenance vs Incurrence?]** • 6-month reference period • Any shortfall in collections are recoverable from all Specified Consumers
Reliance on IESO and LDCs	• During the Moratorium Period, the Trust is dependent on the IESO to pay for all Carrying Costs **[Suggests that IESO will pay; not provide cash for Trust to pay]** • Receipt of CEAs dependent on the performance of LDCs and IESO • Limited ability to enforce against or replace an ~~on~~ LDC	• Highly regulated industry and LDC and IESO are required under law and regulation to perform duties under FHP • IESO has a very strong credit profile and [very low losses] **[Any? Socialized?]** and grants security over all of its accounts receivables as security during the Moratorium Period • IESO will provide a letter of credit/other security to mitigate commingling risks for CEAs held ~~for the commingling of CEAs~~ by non-rated or below investment grade rated LDCs until they are remitted to IESO • LDCs collect security deposits and, when permitted, have the ability to disconnect service for non-payment **[Sensitive?]** • $2 billion general credit facility from the OFA which can be used to pay the Carrying Costs
Size of Charge vs. Bill	• If the charge applied to bills becomes too high, there could be a consumer and/or political backlash	• 20-year repayment period allows for gradual rate increases • Max CEAs as a percent of the total bill is forecast to be ~10% **[Known? Confirm?]**

VIII. Investment Highlights

Investment Highlights

- Protection against political risk through the Change of Law Protection Agreement
- Irrevocable & [non-bypassable] rate payer charge, recoverable from Specified Consumers across the Province of Ontario
- Repayment risk spread across all Specified Consumers. Full cross-collateralization; collection shortfalls allocated among all Specified Consumers (Joint and Several Liability)
- Robust ~~Enhanced~~ true-up mechanism **[If this is comparing to a precedent deal, should indicate the comparison]**
- Credit enhancement for senior debt provided via subordinated debt
- Highly regulated market with experienced operating agents (OPG, IESO, and LDCs)
- Strong service territory **[Meaning?]**
- No large user industrial risk exposure **[Meaning?]**

This confidential shelf offering memorandum constitutes an offering of these securities only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale. This confidential shelf offering memorandum is not, and in no circumstances is to be construed as, a prospectus or advertisement or public offering of these securities. ***No securities commission or similar authority in Canada or in any other jurisdiction has reviewed this material or in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.*** *Persons who acquire securities pursuant to this confidential shelf offering memorandum will not have the benefit of the review of this material by any securities commission or similar authority. The information contained in this confidential shelf offering memorandum has been furnished or supplied by the Issuer based on the most accurate information available as at the date hereof and there is no representation or warranty by the Agents as to the accuracy or completeness of such information. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "****U.S. Securities Act****") or any state securities laws and may not be offered or sold within the United States or to, or for the account of, U.S. persons (within the meaning of Regulation S under the U.S. Securities Act) unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available. See "Plan of Distribution". This confidential shelf offering memorandum is confidential and contains certain information not publicly disclosed. No one is authorized to make any representation or give any warranty on behalf of the Issuer other than those representations and warranties made or referred to in this confidential shelf offering memorandum.*

The information contained in this confidential shelf offering memorandum and delivered in connection with the private placement of the Senior Notes by the Issuer is confidential, is for the confidential use of only those persons to whom it is delivered in connection with the offering solely for the purpose of considering the purchase of the Senior Notes and its use for any other purpose is prohibited. By accepting this confidential shelf offering memorandum, each prospective purchaser agrees that it will not transmit, reproduce or make available to anyone, other than their respective advisors (so long as they advise such advisors of the confidential nature of such document), this confidential shelf offering memorandum (including any Term Sheets) or any information contained herein, and will not use such information (or permit its advisors to use such information) for any purpose other than to evaluate an investment in the Senior Notes pursuant to an Offering.

CONFIDENTIAL SHELF OFFERING MEMORANDUM

New Issue By Way of Private Placement

January ■, 2018

FAIR HYDRO TRUST

Senior Secured Notes

Fair Hydro Trust (the "**Issuer**"), a special purpose trust governed by the laws of the Province of Ontario, established by Computershare Trust Company of Canada, acting as trustee of the Issuer, and caused to be established by Ontario Power Generation Inc. ("**OPG**"), as Financial Services Manager (as hereinafter defined), has created a program providing for the offering and issuance of senior secured notes (the "**Senior Notes**"), in one or several offerings. The Issuer was established in connection with the *Ontario Fair Hydro Plan Act, 2017* (the "**FHPA**"), legislation [that reallocates certain electricity costs over time and provides immediate rate relief to Specified Consumers (a category of consumers that generally is comprised of residential consumers, small businesses and farms).][1] Under the FHPA, OPG is appointed as the initial financial services manager (in such capacity, the "**Financial Services Manager**") and is given the authority to, among other things, establish, or cause to be established, one or more financing entities (each, a "**Financing Entity**") to incur payment obligations (referred to as "**Funding Obligations**") for the purposes of the FHPA.[2] The Issuer is a Financing Entity under the FHPA and the Senior Notes are Funding Obligations being offered for the purposes of the FHPA.

The Senior Notes do not constitute a debt, liability or other obligation of, or interest in, OPG or any of its other affiliates (other than the Issuer). The Senior Notes are not a debt, liability or obligation of the Province of Ontario or any of its political subdivisions, agencies or instrumentalities. The Senior Notes will not be insured or guaranteed by the Province of Ontario, OPG or any of their respective affiliates or any other person or entity, except that the Province of Ontario has agreed to provide a limited guarantee in respect of the Senior Notes following the occurrence of certain events. See "*Change of Law Protection Agreement*". The Senior Notes will be limited recourse obligations, secured only by the collateral described in this confidential shelf offering memorandum. See "*Capital Markets Platform — Acceleration and Remedies — Limited Recourse*" and "*Risk Factors*".

[1] **Note:** This narrative should be removed or, if necessary, it should track the purposes of the FHPA set out in Section 3 of the Act.

[2] **Note:** The statutory definition of "funding obligation" provides that the funding obligations have the purpose of funding ownership in an investment interest. Please consider revising the definition of "funding obligation" to more closely track that in the Act.

The specific terms of any offering of Senior Notes, including, without limitation, the aggregate principal amount of Senior Notes being offered, the currency of the Senior Notes, the issue price (at par, at a discount or at a premium), the issue, delivery and maturity dates, any redemption or repayment provisions, the rating of the Senior Notes at the time of such offering, the interest (either fixed or floating and the circumstances, if any, under which the rate may be adjusted), the interest rate basis and interest payment dates, will be established by the Issuer and set forth in a term sheet (a "**Term Sheet**") that will accompany, be incorporated by reference in and form an integral part of this confidential shelf offering memorandum. Unless otherwise specified in a Term Sheet, the Senior Notes will not be listed on any securities exchange.

The offering of Senior Notes from time to time (each, an "**Offering**") will be made pursuant to exemptions from the prospectus requirements of applicable securities laws in each of the provinces of Canada only to "accredited investors" (as such term is defined in National Instrument 45-106 – *Prospectus Exemptions* ("**NI 45-106**") and, in the case of a purchaser resident in Ontario, section 73.3(1) of the *Securities Act* (Ontario)) that are purchasing the Senior Notes as principal and that are not individuals unless those individuals are also "permitted clients" (as such term is defined in National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("**NI 31-103**")). Purchasers of Senior Notes will be obliged to establish their qualification to invest in accordance with the requirements of the securities laws of the jurisdiction in which they reside. See *"Representations and Agreements of Purchasers"*. As each Offering will be made pursuant to exemptions from prospectus requirements of applicable securities laws, there will be restrictions on the resale of the Senior Notes. See *"Risk Factors"* and *"Restrictions on Resale"*.

The Senior Notes may be sold by the Issuer directly pursuant to applicable statutory exemptions or through agents designated by the Issuer from time to time (the "**Agents**"). See *"Plan of Distribution"*. Each Term Sheet will identify the Agents engaged to conditionally offer the Senior Notes for sale on a best efforts basis, subject to prior sale, in connection with the applicable Offering of Senior Notes and will also set forth the terms of such Offering of Senior Notes, including the net proceeds to the Issuer and, to the extent applicable, any fees payable to the Agents.

Subscriptions for the Senior Notes will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Senior Notes will be delivered and recorded in book-entry form through CDS Clearing and Depository Services Inc. ("**CDS**") or another depository selected by the Issuer in accordance with the master trust indenture governing the Senior Notes. The Senior Notes will be represented by fully registered book-entry notes held by, or on behalf of, such depository, or a successor thereof, as the custodian of the book-entry notes, in its name or the name of its nominee.

The Senior Notes will be issued under and will be entitled to the benefits of a master trust indenture dated as of December 21, 2017 between the Issuer, as issuer, and BNY Trust Company of Canada, as indenture trustee, as amended or supplemented by supplemental indentures thereto.

In making an investment decision, prospective investors acknowledge that they have not relied on the Agents or any person affiliated with the Agents for investment or other advice and are relying on their own examination of the terms of an Offering, including the merits and risks involved and creditworthiness of the Issuer. Prospective investors are not to construe the contents of this document as legal, tax, accounting or investment advice. Prior to investing in the Senior Notes, prospective investors should consult with their legal, tax, accounting and investment advisors to determine the consequences of an investment in the Senior Notes. See *"Risk Factors"* for a discussion of certain factors that should be considered by prospective purchasers of Senior Notes.

The Issuer is not a "reporting issuer" (as such term is defined under applicable Canadian securities laws) in any jurisdiction. The Issuer will only distribute the Senior Notes in Canada under exemptions from the prospectus requirements of the securities laws of the provinces where they are sold. The Senior Notes may only be traded in Canada under exemptions from the prospectus requirements of the securities laws of the provinces in which they are traded and only through dealers registered or exempt from the dealer registration requirements of applicable Canadian securities laws. See *"Restrictions on Resale"*.

There is currently no secondary market for the Senior Notes. There can be no assurance that a secondary market will develop or, if a secondary market does develop, that it will provide holders of Senior Notes with liquidity for their investment or that it will continue for the term of the applicable Senior Notes. Accordingly,

purchasers of the Senior Notes may be required to bear the financial risk of investing in such Senior Notes until the maturity date of such Senior Notes.

No person is authorized to give any information or make any representation other than those contained in this confidential shelf offering memorandum in connection with an Offering and any decision to purchase Senior Notes should be based solely on the information contained herein. The Term Sheet applicable to such Offering and the investor presentation (the "**Investor Presentation**"), attached hereto as Exhibit 1, are incorporated by reference and included in, respectively, and form an integral part of, this confidential shelf offering memorandum. The information contained in the Investor Presentation is current only as of the date thereof. The Investor Presentation may be updated and replaced by the Issuer in connection with an Offering and such updated Investor Presentation will be attached as Exhibit 1, and will be included in, and form an integral part of, this confidential shelf offering memorandum delivered in respect of such Offering.

This confidential shelf offering memorandum, including the Investor Presentation attached hereto, and any Term Sheets, are provided on a confidential basis to prospective investors for informational use solely in connection with their consideration of the purchase of Senior Notes. Use for any other purpose is not authorized. Each Offering will be made solely on the basis of the information contained herein or incorporated by reference which has been furnished by the Issuer. No Agent makes any representation or warranty, express or implied, as to the accuracy, adequacy or completeness of such information. Furthermore, no Agent has independently verified the information in this confidential shelf offering memorandum and has no responsibility for the accuracy, adequacy or completeness of any such information.

This confidential shelf offering memorandum does not contain all of the information that would normally appear in a prospectus qualified under applicable Canadian securities laws. Neither the delivery of this confidential shelf offering memorandum, at any time, nor any sales made pursuant hereto, will imply that the information contained herein is correct as of any time subsequent to the date set forth on the face page hereof and the Issuer and the Agents will not update such information except as may be required by applicable law.

Capitalized terms used and not otherwise defined in this confidential shelf offering memorandum have the meanings ascribed to them in the glossary starting on page [92] of this confidential shelf offering memorandum. All figures in this confidential shelf offering memorandum are in Canadian dollars unless otherwise noted.

TABLE OF CONTENTS

Page

CAUTION REGARDING FORWARD-LOOKING INFORMATION v
CONFIDENTIALITY vii
DOCUMENTS INCORPORATED BY REFERENCE vii
MARKET AND INDUSTRY DATA viii
REFERENCES TO THE FHPA AND RELATED REGULATIONS viii
SUMMARY 1
THE ELECTRICITY INDUSTRY IN ONTARIO 18
ONTARIO'S FAIR HYDRO PLAN 21
CHANGE OF LAW PROTECTION AGREEMENT 28
THE ISSUER 33
THE MANAGER 35
SUBORDINATED DEBT 37
SHORT TERM INDEBTEDNESS 38
THE TRANSFEROR AND SERVICER 39
CREDIT RATINGS 41
RATING AGENCY CONDITION 42
CAPITAL MARKETS PLATFORM 42
DESCRIPTION OF NOTES 66
DEPOSITORY SERVICES 69
PLAN OF DISTRIBUTION 70
RISK FACTORS 71
REPRESENTATIONS AND AGREEMENTS OF PURCHASERS 84
LANGUAGE OF DOCUMENTS 88
RESTRICTIONS ON RESALE 88
REPORTING REQUIREMENTS 89
STATUTORY RIGHTS OF ACTION 89
INDENTURE TRUSTEE 99
LEGAL MATTERS 99
GLOSSARY 100
SCHEDULE A – CANADIAN PROVINCIAL SECURITIES REGULATORY AUTHORITIES 112
EXHIBIT 1 113

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Some of the statements contained in this confidential shelf offering memorandum, including those relating to the Issuer's expectations, forecasts, strategic and other statements, are forward-looking information within the meaning of securities laws. Forward-looking information is contained in the summary and in the sections titled *"Ontario's Fair Hydro Plan — Fair Allocation Amount & Financing Plan"*, *"Subordinated Debt"*, *"■"*[3] and *"Risk Factors"* of this confidential shelf offering memorandum and *"Financing Plan / Strategy"*, *"Financing Structure"*, *Aggregate Financing Program"*, *"■"*[4] and *"Consumer Bill Forecast with FHP"* of the Investor Presentation. The forward-looking statements contained in this confidential shelf offering memorandum are presented for the purposes of assisting potential purchasers in making an investment decision regarding the Senior Notes and may not be appropriate for other purposes.

Often, but not always, forward-looking information can be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management of the Issuer made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that the Issuer believes to be relevant and reasonable at the date that such statements are made. A variety of factors, many of which are beyond the Issuer's control, may cause actual results to differ materially from the expectations expressed in the forward-looking statements. These factors include, but are not limited to, the following risks:

Judicial, Legislative or Regulatory Risks:

- Future legal action might challenge or invalidate the FHPA or the Regulations and materially adversely affect a holder's investment in the Senior Notes.
- Future legislative action to change the FHPA, the Regulations, the Change of Law Protection Agreement or the electricity market might materially adversely affect a holder's investment in the Senior Notes.
- Future regulatory action to change the rules applicable to the operation of the electricity market might materially adversely affect a holder's investment in the Senior Notes.
- Future judicial action could reduce the value of a holder's investment in the Senior Notes.
- Potential difficulties in enforcing civil liabilities against the Province of Ontario may arise.

Risks Associated with the Unusual Nature of the Investment Asset:

- Clean Energy Adjustments will not be payable until May 1, 2021 and until such time the IESO will be the sole source of funds for payment on the Senior Notes.
- The Issuer's ability to enforce security granted by the IESO may be impaired or delayed.
- A holder of Senior Notes may experience material payment delays because the source of funds for payment after the Moratorium Period is limited.
- The Clean Energy Adjustment may not be billed after April 30, 2047, unless further regulations to extend that date are passed.
- Foreclosure of the Indenture Trustee's lien on the Investment Interest securing the Senior Notes might not be practical and acceleration of the Senior Notes before maturity might have little practical effect.
- The Issuer may issue multiple Series of Senior Notes secured by the Investment Interest and some decisions affecting holders of Senior Notes may require approval by resolution of the holders of all Series of Senior Notes.
- If a Series of Senior Notes or all Senior Notes are accelerated, a holder of Senior Notes might receive payment of principal sooner or later than expected.
- The Issuer may have a co-ownership interest in the Investment Asset with other Financing Entities.

[3] **Note:** Please complete.

[4] **Note:** Please complete.

- If the Clean Energy Adjustment amounts and other funds held in the Issuer Accounts results in investment losses or the investments become illiquid, a holder of Senior Notes might receive payment of principal of and interest on the Senior Notes later than expected.

Servicing, Operating and Consumer Risks

- Payments on the Senior Notes depend on the performance of Electricity Vendors and the IESO.
- Payments on the Senior Notes depend on the performance of OPG as Financial Services Manager and as Manager of the Issuer.
- Inaccurate consumption forecasting or unanticipated delinquencies or write-offs might reduce or delay scheduled payments on the Senior Notes.
- Changes to billing and collection practices may reduce the amount of funds available for payments on the Senior Notes.
- Limits on rights to terminate service to Specified Consumers might make it more difficult to collect the Clean Energy Adjustment.
- It might be difficult for the Issuer to collect the Clean Energy Adjustment from Specified Consumers.
- Indemnification obligations of OPG and the IESO are limited and might not be sufficient to protect the investments in the Senior Notes.
- Delinquent or partial payments of electricity bills may make principal payments on the Senior Notes occur later than expected.
- Power outages could impair payment of the Senior Notes.[5]
- Technological changes that make alternative energy sources more attractive in the future or significant population fluctuations may result in fewer Specified Consumers from whom to collect the Clean Energy Adjustment.

Insolvency-Related Risks

- If the Issuer were to become subject to Canadian Insolvency and Restructuring Laws, the Indenture Trustee's ability to enforce security granted by the Issuer may be significantly impaired or delayed.
- If the IESO or any Electricity Vendor were to become subject to Canadian Insolvency and Restructuring Laws, collections that have been commingled may be unrecoverable and the Issuer's ability to enforce its rights against the IESO may be significantly impaired or delayed.
- If OPG were to become subject to Canadian Insolvency and Restructuring Laws, the Issuer's ability to enforce its rights against OPG may be significantly impaired or delayed and the Issuer's assets and liabilities may be substantively consolidated with those of OPG.
- If the Issuer Trustee were to become subject to Canadian Insolvency and Restructuring Laws, the assets and liabilities of the Issuer may be substantively consolidated with the Issuer Trustee.
- If a Specified Consumer were to become subject to Canadian Insolvency and Restructuring Laws, the Issuer's ability to collect Clean Energy Adjustment amounts from such Specified Consumer may be adversely affected.
- If amounts in the Issuer Accounts for any Series are invested with entities that become subject to insolvency proceedings, the Issuer's ability to make payments to holders of Senior Notes may be adversely affected.

Other Risks:

- The credit ratings are not an indication of the expected rate of payment of principal on the Senior Notes.
- If the ratings on the Senior Notes are withdrawn or revised downward, the value of a holder's investment in the Senior Notes may be adversely affected.
- The credit ratings of the IESO, OPG and the Province of Ontario might affect the market value of the Senior Notes.

[5] Is this relevant? Is the concern that the CEA would be spread across a relatively smaller base due to lower usage in a period?

- The absence of an established market for the Senior Notes might limit the ability to resell or refinance the Senior Notes.
- Restrictions on resale might limit the ability to resell the Senior Notes.

Please also see *"Risk Factors"*.

The Issuer does not intend, or assume any obligation, to update any forward-looking information except as may be required by applicable law.

CONFIDENTIALITY

PRIOR TO RECEIVING THIS CONFIDENTIAL SHELF OFFERING MEMORANDUM, EACH PROSPECTIVE PURCHASER MUST HAVE ENTERED INTO A CONFIDENTIALITY UNDERTAKING WITH THE ISSUER (IN A FORM ACCEPTABLE TO THE ISSUER) WHICH PROVIDES THAT BY ACCEPTING A COPY OF THIS CONFIDENTIAL SHELF OFFERING MEMORANDUM, EACH PROSPECTIVE PURCHASER AGREES THAT ALL INFORMATION CONTAINED HEREIN, ALL DOCUMENTS DELIVERED IN CONNECTION HEREWITH AND ALL OTHER INFORMATION OBTAINED BY PROSPECTIVE PURCHASERS IN RELATION TO THE ISSUER (COLLECTIVELY, THE "**CONFIDENTIAL INFORMATION**") IS CONFIDENTIAL, THAT NONE OF THE CONFIDENTIAL INFORMATION WILL BE COPIED, TRANSCRIBED, RECORDED OR TRANSMITTED BY THE RECIPIENT FOR ANY REASON OR USED FOR ANY PURPOSE OTHER THAN EVALUATING AN INVESTMENT IN THE NOTES, AND THAT THE RECIPIENT WILL HOLD ALL OF THE CONFIDENTIAL INFORMATION IN CONFIDENCE AND WILL NOT PROVIDE ANY OF IT TO ANY THIRD PARTIES OTHER THAN PERSONS RETAINED TO ADVISE THE RECIPIENT WITH RESPECT TO THE PURCHASE OF THE NOTES (SO LONG AS THEY ADVISE SUCH PERSONS OF THE CONFIDENTIAL NATURE OF SUCH CONFIDENTIAL INFORMATION), WITHOUT THE PRIOR WRITTEN CONSENT OF THE ISSUER. ***[NTD: Logistics to be discussed between Dealers and OPG.]***

DOCUMENTS INCORPORATED BY REFERENCE

A Term Sheet containing the specific variable terms in respect of an Offering will be delivered to prospective purchasers of Senior Notes together with this confidential shelf offering memorandum and will be deemed to be incorporated into this confidential shelf offering memorandum as of the date of such Term Sheet, solely for the purposes of the Senior Notes issued under such Term Sheet.

The information contained in the Investor Presentation is current only as of the date thereof. The Investor Presentation may be updated and replaced by the Issuer in connection with an Offering and such updated Investor Presentation will be attached as Exhibit 1, and will be included in, and form an integral part of, this confidential shelf offering memorandum delivered in respect of such Offering.

Any statement contained in the confidential shelf offering memorandum or in any document incorporated or deemed to be incorporated by reference in the confidential shelf offering memorandum shall be deemed to be modified or superseded, to the extent that a statement contained herein or in any other subsequent document which is or is deemed to be incorporated by reference in the confidential shelf offering memorandum, modifies or supersedes such prior statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of the confidential shelf offering memorandum, except as so modified or superseded.

MARKET AND INDUSTRY DATA

Certain of the information contained herein concerning the electricity industry in Ontario is based upon or derived from information provided by third party sources, including industry publications and other publicly available industry sources. Neither the Issuer nor the Agents guarantee the accuracy of such information and neither the Issuer nor the Agents have independently verified the assumptions upon which projections of future trends and performance are based. This information and data is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey of market or industry data. As a result, prospective purchasers should be aware that the information and data set forth herein, and estimates and beliefs based on such information and data, may not be reliable.

REFERENCES TO THE FHPA AND RELATED REGULATIONS

This confidential shelf offering memorandum describes certain provisions of the *Ontario Fair Hydro Plan Act, 2017* and the regulations made pursuant to that Act. These descriptions include simplified and summary descriptions of the terms and requirements of the legislation and do not purport to be comprehensive, definitive or determinative. All references in this confidential shelf offering memorandum to the terms and requirements of the *Ontario Fair Hydro Plan Act, 2017* and the regulations made pursuant to that Act are qualified in their entirety by reference to the specific terms and requirements set forth in such legislation, copies of which are available at https://www.ontario.ca/laws/statute/17o16.

SUMMARY

This summary does not contain all the information prospective purchasers should consider before investing in the Senior Notes. Prospective purchasers should read this entire confidential shelf offering memorandum carefully, including the section entitled "Risk Factors". Capitalized terms used and not otherwise defined in this summary have the meanings ascribed to them in the glossary starting on page [92] of this confidential shelf offering memorandum.

Issuer:	Fair Hydro Trust, a special purpose trust governed by the laws of the Province of Ontario.
Manager:	Ontario Power Generation Inc. ("**OPG**"), pursuant to the terms of the Management Agreement.
Limitations:	The Senior Notes do not constitute a debt, liability or other obligation of, or interest in, OPG or any of its other affiliates (other than the Issuer). The Senior Notes are not a debt, liability or obligation of the Province of Ontario or any of its political subdivisions, agencies or instrumentalities. The Senior Notes will not be insured or guaranteed by the Province of Ontario, OPG or any of their respective affiliates or any other person or entity, except that the Province of Ontario has agreed to provide a limited guarantee in respect of the Senior Notes following the occurrence of certain events. See *"— Change of Law Protection Agreement"*.
Ontario Fair Hydro Plan Act:	On June 1, 2017, the Ontario Legislature passed the Ontario Fair Hydro Plan Act, 2017 (the "**FHPA**"). The FHPA was enacted to: (i) ensure that Clean Energy Costs and Clean Energy Benefits are fairly allocated among present and future Specified Consumers (a category of consumers that generally is comprised of residential consumers, small businesses and farms); (ii) recognize that Clean Energy Benefits have accrued and will accrue over time and will continue to benefit present and future electricity consumers in Ontario; and (iii) align Clean Energy Costs with Clean Energy Benefits, in order to provide fairness for Specified Consumers over time. As a result, from July 1, 2017 until April 30, 2018, electricity rates payable by Specified Consumers will in effect be the rate that would result in a representative consumer being charged an invoice amount that is 25%[6] less than the rate that would otherwise have been determined by the Ontario Energy Board (the "**OEB**") under its Regulated Price Plan[7] for that period. Under the FHPA, OPG is appointed as the initial financial services manager (in such capacity, the "**Financial Services Manager**") and is given the authority to, among other things, establish, or cause to be established, one or more financing entities (each, a "**Financing Entity**") to incur payment obligations (referred to as "**Funding Obligations**") for the purposes of the FHPA and the Regulations.[8] The

[6] The 25% reduction includes an 8% rebate equivalent to the provincial portion of the harmonized sales tax previously granted by the Ontario government.

[7] Specified Consumers, as a class, are not a one-to-one equivalent class to the RPP consumer class.

[8] **Note:** The statutory definition of "funding obligation" provides that the funding obligations have the purpose of funding ownership in an investment interest. Please consider revising the definition of "funding obligation" to more closely track that in the Act.

	Issuer is a Financing Entity[9] under the FHPA and the Regulations and the Notes are Funding Obligations being offered for the purposes of the FHPA and the Regulations. See *"Ontario's Fair Hydro Plan — Background"*.
Summary of the Fair Hydro Financing Program:	The implementation of the Fair Hydro Plan is intended to be financed by the Issuer through the Fair Hydro financing program. The program provides for the offering and issuance by the Issuer of Senior Notes, in any number of series (each a "**Series**"), in one or several offerings (each, an "**Offering**"). A Term Sheet will describe particulars of the terms of each Series of Senior Notes and will be incorporated by reference and form an integral part of this confidential shelf offering memorandum. Each Series of Senior Notes will be issued under the master trust indenture dated as of December 21, 2017 (as amended, supplemented, restated or otherwise modified from time to time, the "**Master Trust Indenture**") between the Issuer, as issuer, and BNY Trust Company of Canada, as indenture trustee (the "**Indenture Trustee**"), as supplemented by a supplemental indenture dated the date of the issuance of such Series between the Issuer and the Indenture Trustee (a "**Supplemental Indenture**" and collectively with the Master Trust Indenture, the "**Indenture**") authorizing that Series.
Transferor and Servicer:	The Independent Electricity System Operator (the "**IESO**") is a not-for-profit corporation established under the *Electricity Act, 1998* (Ontario). The IESO manages the operation and reliability of Ontario's bulk power system and administers the wholesale electricity market.[10] Each month, the IESO will determine the shortfall resulting from the rate reduction mandated by the FHPA and record the amount in a variance account. The IESO has the right, exercisable in accordance with the FHPA and the Regulations, to recover the balance recorded in the variance account from Specified Consumers (such right, the "**Regulatory Asset**"). However, the FHPA provides that the IESO is not permitted to exercise such right before May 1, 2021 is limited under the FHPA. The IESO has entered into a master transfer and servicing agreement with the Issuer dated as of December 21, 2017 (as amended, supplemented, restated or otherwise modified from time to time, the "**Master Transfer and Servicing Agreement**") pursuant to which the IESO may, on a monthly basis, offer to transfer a specified portion of the Regulatory Asset to the Issuer in accordance with the FHPA. See *"Transferor and Servicer"*.
Investment Interest:	Upon acceptance of the transfer by the IESO of a specified portion of the Regulatory Asset, the Issuer will acquire an Investment Interest in the Investment Asset, which is a current and irrevocable property right consisting of the rights specified in the FHPA, including the right and interest to impose, invoice, collect, receive and recover the Clean

[9] **Note**: Elsewhere, the disclosure refers only to the Issuer without adverting to the possibility of other future Financing Entities. To the extent that this simplification suggests in a particular context that other future Financing Entities would not be permitted or similarly treated, references to the Trust should be broadened to encompass the possibility of future Financing Entities.

[10] **Note:** Consider also referring to IESO's planning and procurement functions. They may be meaningful here to the extent they impact IESO objectives and governance generally.

Energy Adjustment from Specified Consumers in accordance with the FHPA and the Regulations. See *"— Clean Energy Adjustment"* below and *"Ontario's Fair Hydro Plan — Regulatory Asset"*, *"Ontario's Fair Hydro Plan — Investment Interest"* and *"The Transferor and Servicer"*.

Clean Energy Adjustment:

The FHPA and the Regulations impose an irrevocable and non-bypassable charge referred to as the Clean Energy Adjustment that will be determined by the Financial Services Manager based on the calculations and parameters set out in the FHPA. The OEB is required to determine the rates at which Specified Consumers are to be invoiced in order to recover the Clean Energy Adjustment in respected of a specified Reference Period (which is generally a six month period, or a shorter period in certain circumstances). The rates are to be determined by reference to forecasted electricity consumption of Specified Consumers for a period and are expressed as a cent per KWh rate. See *"— Statutory Duties of the OEB"* below.

The required Clean Energy Adjustment will be determined by the Financial Services Manager for each month in a Reference Period and consists of the sum (without duplication) of: (i) the estimated Finance Amount in respect of the Reference Period, which will include an estimate of all repayments, redemptions, funding costs, derivative payments, required deposits, Issuer expenses and taxes, and other amounts paid or payable during such Reference Period, and (ii) the True-up Amount for such Reference Period, all divided by the number of months in the applicable Reference Period.

The "**True-up Amount**" is required to be calculated by the Financial Services manager in accordance with the Regulations. In principle, the True-up Amount should serve to ensure that the collection of the Clean Energy Adjustment is sufficient to pay the Finance Amount when it is due, by capturing any Finance Amounts not previously received in respect of the Clean Energy Adjustment during preceding Reference Periods.

The True-up Amount may also reflect historical and reasonably foreseeable differences between the estimated and actual Finance Amount; between amounts invoiced and amounts collected due to various factors, including applicable taxes, consumer defaults and delays, billing lags and write-offs; and variations in billings due to variations in electricity consumption. In determining such differences, the Financial Services Manager is required to have regard to amounts payable that were not collected and any amounts in respect of which an overpayment was made, which may include amounts resulting from a default of Specified Consumers, an Electricity Vendor or the IESO, whether in its capacity as an Electricity Vendor or its activities as agent or otherwise under the FHPA and the Regulations. The Financial Services Manager is obligated to calculate the True-up Amount in respect of each Reference Period so long as all Funding Obligations and other Finance Amounts have not been paid in full. The Financial Services Manager may also, at any time during a Reference Period, determine an interim True-up Amount if, among other things, it reasonably forecasts that the collection of the Clean Energy Adjustment will be insufficient to pay the estimated Finance Amount for a

Reference Period.

[Commencing May 1, 2021, a charge in respect of the Clean Energy Adjustment will be included on invoices sent to Specified Consumers, and collected and remitted to the Issuer to pay amounts owing on the Senior Notes and all other administrative and other financing expenses of the Issuer. From July 1, 2017 until April 30, 2021 (the "**Moratorium Period**"), no Clean Energy Adjustment amounts are permitted to be collected from Specified Consumers. During the Moratorium Period, the sole source of funds for payment on the Senior Notes, and the Issuer's other Carrying Costs, will be the amounts the IESO is obligated to pay under the Regulations during such period. See *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.][11]

Non-bypassability:

The FHPA mandates that an amount in respect of the Clean Energy Adjustment shown on an invoice issued to a Specified Consumer is determinative of the amount of the consumer's indebtedness resulting from the Clean Energy Adjustment, and is irrevocable on invoicing such Specified Consumer and may not be set off or bypassed. See *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

Payment of Carrying Costs during the Moratorium Period:

During the Moratorium Period and extending to July 31, 2021,[12] the IESO, which is rated A(high) by DBRS Limited ("**DBRS**") and Aa2 by Moody's Investors Services, Inc. ("**Moody's**"), is required under the Regulations to pay and remit to the Issuer any amounts charged to the IESO by the Issuer in respect of its Carrying Costs. Under the Regulations, Carrying Costs include all funding costs, such as interest on the Senior Notes, and other expenses of the Issuer, other than repayment of principal on any debt obligations of the Issuer (such as principal on the Senior Notes).[13]

Pursuant to the Master Transfer and Servicing Agreement, on or before the fourth business day of each calendar month, the Issuer will submit a carrying costs statement to the IESO certifying the amount of Carrying Costs estimated to be incurred by the Issuer in the following month. On or before the 14th business day following receipt of the Issuer's carrying costs statement,[14] the IESO is required to deliver the amount specified therein to the Issuer. See *"The Transferor and Servicer"*. The IESO has a $2 billion unsecured credit facility provided by the Ontario Financing Authority, expiring ■, 20■, which is permitted to be used to pay the Issuer's Carrying Costs. The amounts paid by the IESO to fund these Carrying Costs will be recorded by the IESO in a variance account and form part of the Regulatory Asset that the IESO is expected to transfer to the Issuer in a subsequent period and, upon such transfer, will become part of the Issuer's Investment Interest pursuant to

[11] **Note:** This narrative should more precisely track the FHPA. The relevant provisions are Section 25(3) [*the IESO shall not be entitled to collect all or part of the balance recorded in the variance account from specified consumers before May 1, 2021*] and Section 21(4) *[limitation on the Financial Services Manager incurring funding obligations payable through Clean Energy Adjustments from July 1, 2017 to April 30, 2021*]. In particular, the suggestion that CEAs cannot be collected in any circumstance during the Moratorium Period goes beyond 21(4) and presumes that there will be no Readjustment.

[12] **Note:** Please clarify this disclosure for consistency with Section 9.1(1) of the General Regulation. This provision states that the IESO shall pay financing entity carrying costs in respect of the period beginning June 1, 2017 (before the Moratorium Period) and ending on July 31, 2021.

[13] **Note:** Consider revising to conform with Section 9.3(3) of the General Regulation. This Section provides that "carrying costs" also include derivative payments, etc.

[14] **Note:** Not sure how this lines up with fee recovery.

the Regulations.

As security for the performance of its obligation under the Regulations to pay the Issuer's Carrying Costs, the IESO has granted the Issuer a first-priority security interest in all of its accounts receivable, which includes the amounts receivable by the IESO from Electricity Vendors with respect to the global adjustment charge. See *"The Transferor and Servicer"*. For a further description of the global adjustment charge, see *"The Electricity Industry in Ontario — Electricity Prices"*.

Acceleration of Indebtedness:

A holder of Senior Notes must rely solely on the Clean Energy Adjustment amounts collected and any available reserve accounts for repayment of principal on the Senior Notes. Accordingly, if all or any portion of the principal amount of any indebtedness of the Issuer (including one or more Series of Senior Notes) becomes due and payable during the Moratorium Period and before its scheduled payment date, maturity date or redemption date, the source of funds for repayment of principal may be limited.

If all or any portion of the principal amount of any indebtedness of the Issuer (including one or more Series of Senior Notes) becomes due and payable after the Moratorium Period and before its scheduled payment date, maturity date or redemption date, then the estimated Finance Amount used by the Financial Services Manager to determine the Clean Energy Adjustment for a period will be determined without regard to the fact that such amount has become due and payable, unless and only to the extent that the amount of the Clean Energy Adjustment is capable of being increased based on the Fair Allocation Amount for such period. See *"— Fair Allocation Amount and Financing Plan"* below. However, upon such acceleration, all accelerated Senior Notes will be repaid in full before any further payments of principal are made to holders of subordinated indebtedness, including the subordinated debt held by OPG; therefore, collections of the Clean Energy Adjustment that would otherwise have been available to repay the principal amount of subordinated indebtedness in the absence of acceleration of the Senior Notes will instead be applied to repay accelerated Senior Notes. See *"— Subordinated Debt"* below.[15]

Statutory Duties of the OEB:

The OEB is an independent public regulatory agency established under the *Ontario Energy Board Act, 1998*. The *Ontario Energy Board Act, 1998* provides the OEB with the authority to regulate participants (e.g. OEB licensees) in Ontario's [electricity market][16], including the activities of transmitters and distributors as well as the IESO (all Electricity Vendors for the purposes of the FHPA).

Under the Regulations, the OEB is responsible for determining the rates at which Specified Consumers are to be invoiced to recover the Clean Energy Adjustment. The rates are expressed as a cent per kWh rate and are determined by the OEB by dividing (i) the aggregate Clean Energy Adjustment as determined by the Financial Services Manager in respect of the relevant period of time by (ii) the forecast of electricity consumption of Specified Consumers in respect of such period, based

[15] **Note:** Add detailed descriptions to correspond to the limitation on cashflows during acceleration in the applicable detailed portions of the OM and specifically address in Risk Factors.

[16] **Note:** Technically, the IESO administers (supervises) the IESO-administered markets. There is no definition for "electricity market".

on forecast information provided to the OEB by the IESO. See "*— Statutory and Servicing Duties of the IESO"* below.

Statutory Duties of Electricity Vendors:

Electricity is distributed to almost all Specified Consumers in Ontario through a network of local distributors. See "*Electricity Industry in Ontario*" and the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum for more details regarding the Ontario electricity market and these local distributors.

The FHPA and the Regulations require Electricity Vendors to invoice their Specified Consumers for a charge in respect of the Clean Energy Adjustment, as determined by applying the rate set by the OEB, which is required to be included as a separate line item on each invoice sent to Specified Consumers. Electricity Vendors are also required to collect, as agent of [the Issuer][17], amounts in respect of the Clean Energy Adjustment, deposit such amounts into a segregated account established for the purpose of receiving those amounts, and hold such amounts in trust for the benefit of [the Issuer][18] until remitted to the IESO for the benefit of [the owners of Investment Interests (initially, only the Issuer)].[19] If an Electricity Vendor does not receive payment in full of an invoice issued to a Specified Consumer, the Electricity Vendor shall allocate any payment received on a *pro rata* basis to the Clean Energy Adjustment and the other amounts payable under the particular invoice.[20] It is a deemed condition of their distribution license issued by the OEB that Electricity Vendors comply with the FHPA.[21]

As security for any failure of an Electricity Vendor that does not have an investment grade rating from DBRS and Moody's to remit Clean Energy Adjustment amounts collected under the FHPA, the IESO is required, pursuant to the Master Transfer and Servicing Agreement, to provide to the Issuer on or prior to the first day of the first billing period when the Clean Energy Adjustment is being invoiced to Specified Consumers, a letter of credit from a provider that satisfies the Rating Agency Condition or a performance guarantee or such other form of security that is acceptable to the Issuer and that satisfies the Rating Agency Condition. The amount of the security required from the IESO is based on a formula as set out in the Master Transfer and Servicing Agreement and will equal: (i) 50% of forecasted Clean Energy Adjustment amounts that are to be collected by such non-investment grade rated Electricity Vendors and held for 45 days prior to the funds being remitted to the Issuer; or (ii) such other amount that satisfies the Rating Agency Condition. See "*The Transferor and Servicer.*"

Management Duties of OPG:

OPG has entered into a management agreement (the "**Management Agreement**") with the Issuer pursuant to which the Issuer has delegated to OPG, as manager (the "**Manager**"), all of the powers and duties of managing the Issuer, including determining whether to incur Funding Obligations (including Offerings of Senior Notes) to acquire an Investment Interest or refinance existing Funding Obligations;

[17] **Note:** This and similar references to the Issuer should instead refer to Financing Entities (Investment Interest owners), of which the Trust is the first, and then cross-refer to the concept of co-ownership in order to facilitate additional financings in the future.

[18] **Note:** Please see note 17.

[19] **Note:** Please see note 17.

[20] **Note:** Please consider revising this to conform more closely to Section 17(4) of the FHPA.

[21] **Note:** Please confirm.

negotiating and executing, on behalf of the Issuer, all agreements; maintaining accounts and banking records; preparing any offering documents to be furnished by the Issuer to prospective purchasers of Funding Obligations (including the Senior Notes); and preparing financial statements and tax filings on behalf of the Issuer. See "*The Manager*".

In addition to the powers and duties delegated to the Manager under the Management Agreement, OPG is also required to comply with its duties as Financial Services Manager under the FHPA and the Regulations, including preparing the Financing Plan to evaluate whether potential Funding Obligations should be incurred for the purposes of Financing Entities acquiring and financing an Investment Interest, determining the amount of the Clean Energy Adjustment inclusive of the calculation of any True-up Amount, notifying the OEB of the Clean Energy Adjustment inclusive of any True-up Amount and ensuring that Funding Obligations are incurred in a manner consistent with the Financing Plan. OPG may also administer the Investment Interest on behalf of the Issuer and any other Financing Entities. Subject to OEB approval and as provided for in the FHPA and the Regulations, OPG is entitled to charge the Issuer a fee, comprised of a base fee and a variable fee, to earn a return and to recover costs and expenditures incurred by OPG on behalf of the Issuer or in relation to the establishment, management and administration of the Issuer and its Investment Interest. The priority of the Manager's entitlement to fees is subject to the payment priorities set forth in the Master Trust Indenture. See "*The Manager*".

Statutory and Servicing Duties of the IESO:

Following the Moratorium Period, the IESO is required, as agent of [the Issuer][22], to receive Clean Energy Adjustment amounts paid to it from Electricity Vendors, deposit such amounts promptly into a segregated account established for the purpose of receiving amounts in respect of the Clean Energy Adjustment, hold such amounts in trust on behalf of [the Issuer] and remit such amounts to [the Issuer] [on a monthly basis, subject to daily remittance being required in certain limited circumstances.][23] In addition, the IESO will provide certain reporting and other servicing duties in favour of the Issuer, including providing forecast information regarding electricity consumption of Specified Consumers and providing such forecast information to the OEB and the Issuer, making commercially reasonable efforts to cause Electricity Vendors to establish segregated accounts into which Clean Energy Adjustment amounts are deposited, remitting such amounts to [the Issuer] and fulfilling certain additional reporting requirements. [Generally, all servicing duties provided by the IESO to the Issuer are provided at no cost to the Issuer.][24] However, the Issuer will reimburse the IESO for certain direct costs relating to the performance by the IESO of its duties and obligations under the Master Transfer and Servicing Agreement that are otherwise not recovered or recoverable by the IESO under the *Electricity Act, 1998* (Ontario). See "*The Transferor and Servicer.*"

[22] **Note:** Please see note 17 regarding bracketed references to the "Issuer" in this paragraph..

[23] **Note:** Please consider disclosing which IESO duties are statutory and which arise under the MTSA. For instance, in this sentence, these time requirements arise from the MTSA. Section 9(2) of the General Regulation requires that the IESO remit within a reasonable period of time.

[24] **Note:** Please confirm.

Change of Law Protection Agreement:

Pursuant to the Change of Law Protection Agreement in favour of the Indenture Trustee, upon a Protection Event and delivery by the Indenture Trustee of a written payment demand, the Province of Ontario is required to make payments in respect of all "Approved Obligations" when due and payable into the Protection Account (which, provided that the Notes are Approved Obligations, includes payments of amounts that are due and payable in respect of Notes), although the amount of Province of Ontario's payment obligations in a particular period will differ depending on whether an Acceleration has occurred. See "*Change of Law Protection Agreement*". The Issuer and Indenture Trustee must ensure that amounts deposited into the Protection Account are applied to pay each Specified Creditor to whom an amount is due and payable under an Approved Obligation.

Generally, an "Approved Obligation" under the Change of Law Protection Agreement includes all obligations of the Issuer (except for amounts required to be deposited into any capital account or finance reserve account, or any obligation for the Issuer to pay itself any remaining amounts in the Collection Account pursuant to the Master Trust Indenture), including obligations of the Issuer under the Notes, subject to the satisfaction of certain adherence conditions for those obligations that constitute "Certified Primary Obligations", as defined in the Change of Law Protection Agreement. Subject to certain limited exceptions for refinancings, a "Certified Primary Obligation" includes all Notes, as well as certain other obligations of the Issuer under derivative agreements or under contracts with terms of greater than three years that are not terminable by the Issuer on less than three years' notice under which the Manager, acting reasonably, expects aggregate payments by the Issuer during the term of the contract in an amount in excess of $5,000,000.

Protection Event:

Each of the following constitutes a "**Protection Event**" for purposes of the Change of Law Protection Agreement:

(a)

(i) the Ontario legislature repeals, and does not replace on an equivalent basis, or amends, the FHPA or any portion thereof, as in effect on the date hereof;

(ii) the Ontario legislature enacts or amends any other statute;

(iii) the Lieutenant Governor in Council repeals, and does not replace on an equivalent basis, the regulations made under the FHPA or any portion thereof, as in effect on the date hereof;

(iv) the Lieutenant Governor in Council, a minister of the Crown, an official of the government or a board or commission all the members of which are appointed by the Lieutenant Governor in Council makes or amends any "regulation" (as defined in Part III of the *Legislation Act, 2006*) as in effect on the date hereof; or

(v) the implementation of a change in the organization or structure of the IESO or Ontario's electricity market

undertaken at the initiative of the Province of Ontario or an entity controlled by the Province of Ontario,

in each case, that (X) adversely affects the ability of the Issuer to receive amounts in respect of its Investment Interest so that it can pay Approved Obligations when due and payable, in each case determined after taking into account and having regard to (i) any funds available at such time to apply to such Approved Obligations, including in any finance reserve account, capital account or collateral posting account applicable under a derivative agreement, (ii) the availability of any credit enhancement agreement to which the Issuer is a party and (iii) any reasonably expected potential effect of a True-up Amount in the Reference Period immediately following the occurrence of an event described in any of clauses (i) to (v) above, or (Y) adversely affects the enforceability of, or adversely changes, the terms and conditions of the Change of Law Protection Agreement or of any of the agreements under which Approved Obligations arise; or

(b) a court of competent jurisdiction determines that all or a portion of the FHPA or the Regulations, as in effect on the date hereof, is *ultra vires* or invalid in a way that adversely affects the ability of the Issuer to receive amounts in respect of its Investment Interest so that it can pay Approved Obligations when due and payable and that has the effect of the Issuer not in fact having sufficient funds to pay such Approved Obligations that have become due and payable, in each case determined after taking into account and having regard to (i) any funds available at such time to apply to such Approved Obligations, including in any finance reserve account, capital account or collateral posting account applicable under a derivative agreement, (ii) the availability of any credit enhancement agreement to which the Issuer is a party and (iii) any reasonably expected potential effect of a True-up Amount in the Reference Period immediately following the occurrence of an event described in this paragraph (b).

The occurrence of a Protection Event in and of itself will not result in the acceleration of the Senior Notes.

The Province of Ontario's obligation to make payments under the Change of Law Protection Agreement upon a Protection Event and subsequent delivery of a written payment demand by the Indenture Trustee is referred to as the "**Limited Guarantee**".

Upon paying amounts when due and payable in respect of Approved Obligations, including the Senior Notes, into the Protection Account, the Province of Ontario will be subrogated and entitled to all of the rights and interests of applicable Specified Creditors (including Noteholders) under and in respect of the Approved Obligations to the extent of the amounts paid. The Province of Ontario will have the right to be paid from the Issuer the amounts that the Province of Ontario paid in respect of the Approved Obligations, such amounts being payable in the same order of priority and with the same entitlements accruing to the Province of Ontario as applied to the amounts in respect of the Approved Obligations previously owing to Specified Creditors that the Province of Ontario has paid. The Province of Ontario will also be

entitled to the benefit of the Collateral and proceeds therefrom.

Under the Change of Law Protection Agreement, the right to deliver a written payment demand on occurrence of a Protection Event to enforce the Limited Guarantee is the only remedy available to the Indenture Trustee (and to Specified Creditors, to the extent they are permitted to exercise any rights, interests or elections under and in accordance with the Master Trust Indenture). Specified Creditors are not permitted to exercise any rights, interests, or elections under the Change of Law Protection Agreement, other than in the manner and to the extent effected and exercised under, in accordance with and subject to the limitations set forth in the Master Trust Indenture as at December 21, 2017.

Approved Obligations & Adherence Conditions:

Under the Management Agreement, the Manager is required to ensure that all obligations of the Issuer are and remain Approved Obligations under the Change of Law Protection Agreement.

The Limited Guarantee shall apply to all Certified Primary Obligations that meet the following adherence conditions:

(a) the Certified Primary Obligation when incurred is an Obligation Secured under the Master Trust Indenture;

(b) OPG, as Financial Services Manager, delivers a certificate to the Indenture Trustee on or before the incurrence of such obligation certifying that it has complied with all of its obligations to the Province of Ontario and internal requirements and processes in connection with the adherence of the Limited Guarantee to the Certified Primary Obligation; and

(c) the Province of Ontario has not provided a Suspension Notice to the Indenture Trustee, OPG and the Issuer.

All Senior Notes shall constitute Obligations Secured under the Master Trust Indenture and therefore condition (a) above will be satisfied for all Offerings of Senior Notes. It will be a condition to any Offering of Senior Notes that OPG deliver the adherence certificate required pursuant to (b) above or that the Province of Ontario designates in writing that the Senior Notes are Approved Obligations. The Change of Law Protection Agreement provides that delivery of an adherence certificate shall be determinative of satisfaction of this adherence condition, notwithstanding that such certificate may include inaccuracies, be incomplete or otherwise be defective or deficient, and such certificate may be relied upon as conclusive evidence of same.

Suspension Notice & Post-Suspension Refinancing

The Change of Law Protection Agreement will remain in full force and effect until the indefeasible payment, observance and performance in full of the Approved Obligations.

However, in the following limited circumstances, the Province of Ontario may deliver a Suspension Notice under the Change of Law Protection Agreement: (i) if there has been an acceleration of Funding Obligations in accordance with the provisions of the Master Trust Indenture or an event of default, early amortization event, termination

event or similar event or circumstance (including any event that with the passage of time or the giving of notice would become such an event) of or in respect of the obligations of any party under any Program Agreement; (ii) if there has been an uncured breach of covenant, uncured default in performance, or uncured representation, warranty or certification that proves to be incorrect in any material respect on the date made, in each case of OPG (or its officers, in the case of a certification) to the Province of Ontario in connection with its obligations to the Province of Ontario pursuant to internal requirements and processes in connection with the provision or adherence of the Limited Guarantee to or in respect of any Certified Primary Obligations; or (iii) if the Financial Services Manager is no longer the Manager or actions have been taken by or on behalf of the Indenture Trustee to remove the Financial Services Manager as the Manager.

Upon delivery of a Suspension Notice, the Limited Guarantee shall not apply in respect of obligations incurred by the Issuer (excluding certain refinancings of Approved Obligations as described below) and certain material amendments of outstanding obligations of the Issuer.

Notwithstanding delivery of a Suspension Notice, the Limited Guarantee shall continue to apply to: (i) any Approved Obligations that were incurred prior to the suspension and (ii) any Funding Obligations incurred by the Issuer following a suspension that satisfy the terms and conditions of the Change of Law Protection Agreement, provided that the proceeds of such incurrence are to be used for the purpose of repaying one or more series of Approved Obligations. Accordingly, subject to compliance with the Change of Law Protection Agreement, any Senior Notes or other Funding Obligations that may be issued following a suspension to refinance Senior Notes that were Approved Obligations issued prior to a suspension will continue to have the benefit of the Limited Guarantee.

See *"Change of Law Protection Agreement"*.

Fair Allocation Amount & Financing Plan:

The Fair Allocation Amount is an amount calculated under the FHPA and the Regulations by the Minister of Energy in respect of each Reference Period that, among other things, allocates the estimated value of certain costs allocated to Specified Consumers in respect of the Ontario government's clean energy initiatives ("**Clean Energy Costs**")[25] in proportion to the relative attribution of the value of benefits determined to be derived by or accruing to Specified Consumers as a result of such clean energy initiatives ("**Clean Energy Benefits**") among Specified Consumers. See *"Ontario's Fair Hydro Plan"*.[26]

The Financial Services Manager is required to prepare a Financing Plan under the FHPA to evaluate whether potential Funding Obligations should be incurred by the Issuer or other Financing Entities for the purposes of acquiring an Investment Interest or for the purposes of a Refinancing. In preparing the Financing Plan, the Financial Services Manager must have regard to certain principles, including that Funding

[25] **Note:** Consider that "Clean Energy Costs" is more thoroughly defined in the Glossary. Through the OM, reconsider instances where there are two different definitions.

[26] **Note:** The description of the fair allocation amount should more closely align to Section 20(1) of the FHPA.

Obligations should be incurred such that, along with any Funding Obligations already incurred, the estimated Finance Amount that would, subject to any Refinancing, become due and payable during a Reference Period will reasonably align with the Fair Allocation Amount determined in respect of such Reference Period as of the date the Funding Obligations were incurred, after reducing the Fair Allocation Amount by the Readjustment Amount, if any, in respect of the Reference Period.

In other words, the Financing Plan should contemplate the issuance of Funding Obligations from time to time, with terms that would result in Clean Energy Adjustments being payable by Specified Consumers that align with the purposes of the FHPA [, namely, to ensure that present and future Specified Consumers are bearing their share of the costs of providing Clean Energy Benefits].[27] Notwithstanding the above, the FHPA provides that each Funding Obligation is deemed to be consistent with the Financing Plan and to provide for the reasonable alignment of the estimated Finance Amount with the Fair Allocation Amount.

Currently, the Clean Energy Costs have been determined to exceed the Clean Energy Benefits, with the result that the Fair Allocation Amount is negative. This [means that the Minister of Energy has determined that current Specified Consumers have borne more than their fair share of Clean Energy Costs (with the consequent rate reduction for current Specified Consumers). The Fair Allocation Amount is expected to be negative until at least May 2024.][28] Accordingly, the Financing Plan does not currently contemplate the issuance of any Senior Notes maturing prior to May 2024. The Financial Services Manager may, however, determine to refinance Senior Notes maturing after May 2024 through the issuance of another Series of Senior Notes. If Senior Notes cannot be refinanced on or before the applicable Principal Payment Default Date, holders of such Senior Notes will have the ability to accelerate their Senior Notes resulting in Clean Energy Adjustments that would otherwise be used to pay the principal amount on subordinated indebtedness to holders of subordinated Notes being used to pay holders of accelerated Senior Notes.

The Financing Plan allows for the issuance of a variety of short and long term debt. See the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum for more details regarding the Financing Plan and the Fair Allocation Amount.

Subordinated Debt:

Concurrent with every issuance of senior debt by the Issuer, including any Offering of Senior Notes, it is expected that OPG will subscribe for subordinated debt and junior subordinated debt of the Issuer in an amount equal to no more than 49% of all of the Issuer's Funding Obligations, approximately 44% of which is expected to be funded through equity investments in OPG by the Province of Ontario with the remaining 5% being funded from OPG's available funds, including all or a portion of the proceeds of any offerings by OPG of medium term notes.

[27] **Note:** The description should more closely align with the stated purposes of the FHPA in Section 3 of the Act.

[28] **Note:** MOE to confirm whether including this sort of prediction is appropriate.

	Under the Master Trust Indenture, the Issuer will be required at all times to ensure that: (i) the aggregate outstanding principal amount of all subordinated debt and junior subordinated debt be not less than 35% of the aggregate outstanding principal amount of all of the Issuer's Funding Obligations; and (ii) the aggregate outstanding principal amount of all junior subordinated debt be not less than 10% of the aggregate outstanding principal amount of all of the Issuer's Funding Obligations.
Use of Proceeds:	The proceeds from each Offering may be used to (i) acquire an Investment Interest from the IESO pursuant to the Master Transfer and Servicing Agreement, (ii) refinance indebtedness of the Issuer (including other Series of Senior Notes), (iii) pay Offering and related costs of the Issuer and (iv) fund specific reserve accounts as required. The Term Sheet for each Offering of Senior Notes will identify the amount of proceeds that will be used for such specified purposes.
Interest Rate:	Fixed, floating or otherwise, as determined by the Issuer and as set out in the Term Sheet applicable to such Offering.
Interest Payment Dates:	As determined from time to time by the Issuer and as set out in the Term Sheet applicable to such Offering.
Principal Accumulation Date(s) and Principal Accumulation Amount(s):	As determined from time to time by the Issuer and as set out in the Term Sheet applicable to such Offering.
Principal Payment Date(s) and Principal Payment Amount(s):	As determined from time to time by the Issuer and as set out in the Term Sheet applicable to such Offering.
Principal Payment Default Date:	As determined from time to time by the Issuer and as set out in the Term Sheet applicable to such Offering.
Ranking:	Subject to the applicable payment waterfalls set out in the Master Trust Indenture, the Senior Notes will be direct, secured and unsubordinated obligations of the Issuer, and will at all times rank equally and proportionately with each other and all other senior indebtedness issued by the Issuer from time to time pursuant to the Indenture, without discrimination or preference. See "*Capital Markets Platform — Subordination Provisions*", "*Capital Markets Platform — Acceleration and Remedies — Payment Waterfall Upon Acceleration"*.
Security:	All indebtedness and other obligations of the Issuer, including the Senior Notes, will be secured by a first ranking charge against all property and assets of the Issuer, including each Issuer Account (and all funds and property credited thereto), all rights and benefits, and powers of the Issuer under the FHPA and all rights, benefits and power under all Program Agreements, including under the Limited Guarantee. Under the Master Trust Indenture, the Issuer is required to maintain certain reserves: the IESO Cash Reserve Deposit Amount (an amount equal to the aggregate of (i) 0.50% of the aggregate amount of all outstanding senior, subordinated and junior subordinated funding obligations determined as of April 15, 2021, and (ii) an amount estimated as the amount of Carrying Costs payable during May, June

and July 2021, provided such amount in (ii) satisfies the Rating Agency Condition) will be deposited by the IESO by April 30, 2021. There is also a Program Cash Reserve Account which will begin to be funded from Clean Energy Adjustments following the Moratorium Period until it reaches the Program Cash Reserve Required Amount (on each Payment Date on and after May 15, 2021, an amount equal to 0.50% of the aggregate amount of all outstanding senior, subordinated and junior subordinated funding obligations determined as of such date, or such lesser amount that satisfies the Rating Agency Condition). Funds in the IESO Cash Reserve Account will be applied to pay Carrying Costs after April 2021 to the extent that funds can be so applied such that the aggregate amount of funds in the IESO Cash Reserve Account and Program Cash Reserve Account is maintained at the Program Cash Reserve Required Amount.

In connection with the incurrence of any Series of Notes, the Issuer may (i) establish a Series Account for purposes of accumulating funds used to make principal payments or for purposes of reserving funds to pay finance charges, and/or (ii) enter into a credit enhancement agreement or liquidity agreement. Whether a Series of Senior Notes has the benefit of a Series Account or any credit enhancement agreement or liquidity agreement will be determined from time to time by the Issuer and set out in the Term Sheet applicable to such Offering.

See "*Capital Markets Platform — Security*".

Priority of Payments:

Prior to an Event of Default and acceleration of the Issuer Funding Obligations (other than Derivative Funding Obligations), amounts available for disbursement will generally be applied in the following order of priority:

- taxes;
- trustee fees, expenses and reimbursement amounts (up to a specified cap);
- payment of or accumulations in respect of interest for senior obligations, *pari passu* with payments under derivative agreements (other than termination payments);
- payment of or accumulations in respect of interest for subordinated obligations;
- payments of or accumulations in respect of interest for junior subordinated obligations;
- payment of or accumulations in respect of principal for warehouse obligations (see "*Warehouse Facilities*");
- accumulations in respect of principal for senior obligations (other than warehouse obligations), *pari passu* with termination payments under derivative agreements (other than as provided below);
- fees and other amounts (other than principal and interest) on senior obligations;
- the Manager's fees, expenses and reimbursement amounts;
- payment of or accumulations in respect of principal for subordinated obligations;
- fees and other amounts (other than principal and interest) on subordinated obligations;
- payment of or accumulations in respect of principal for junior

subordinated obligations;
- replenishment of Program Cash Reserve Account;
- replenishment of Series Accounts (other than accounts established for subordinated obligations or junior subordinated obligations);
- replenishment of Series Accounts established for subordinated obligations;
- fees and other amounts (other than principal and interest) on junior subordinated obligations;
- replenishment of Series Accounts established for junior subordinated obligations;
- termination payments under derivative agreements where the counterparty is the defaulting party or sole affected party;
- beneficiaries of the Issuer;
- indemnity amounts owing to the Manager; and
- all other obligations not specifically dealt with above.

After an Event of Default and acceleration of the Issuer Funding Obligations (other than Derivative Funding Obligations), amounts available to the Issuer or otherwise held by the Indenture Trustee will generally be applied in the following order of priority:

- taxes;
- trustee fees, expenses and reimbursement amounts;
- interest, fees and other amounts (other than principal) on senior obligations and payments under derivative agreements (other than termination payments), *pari passu*, then subordinated obligations (other than principal) and then junior subordinated obligations (other than principal);
- principal for warehouse obligations;
- *pari passu*, principal on senior obligations (other than warehouse obligations) and termination payments under derivative agreements (other than where the counterparty is the defaulting party or sole affected party);
- the Manager's fees, expenses and reimbursement amounts;
- principal for subordinated obligations and then junior subordinated obligations; and
- all other obligations not specifically dealt with above.

Notwithstanding the above, amounts held in a Series Account will be applied in accordance with the relevant Funding Obligation Agreement and amounts held in the Protection Account will be applied in accordance with the specific written payment statement and would not otherwise modify the provisions of the applicable payment waterfalls set out in the Master Trust Indenture.

See "*Capital Markets Platform — Payment Waterfall Prior to Acceleration*" and "*Capital Markets Platform — Acceleration and Remedies — Payment Waterfall Upon Acceleration*".

Currency:

Senior Notes may be denominated in any currency. The currency for a particular Series of Senior Notes will be set out in the Term Sheet applicable to such Offering.

Minimum Subscription:	Minimum principal amount of 100,000 units of the applicable currency and integral multiple of 1,000 of the applicable currency. The minimum subscription and denomination of the Senior Notes may be varied as set out in the Term Sheet applicable to such Offering.
Optional Redemption:	Senior Notes may be subject to redemption prior to maturity at the times and redemption price set out in the Term Sheet applicable to such Offering.
Purchase for Cancellation:	The Issuer may, at any time, purchase at any price all or any of the Senior Notes in the market or by invitation for tenders or by private contract. Any Senior Notes so purchased shall be cancelled.
Distribution Method:	The Senior Notes may be offered and sold by the Issuer on a private placement basis in Canada to "accredited investors" (as such term is defined in NI 45-106 and, in the case of a purchaser resident in Ontario, section 73.3(1) of the *Securities Act* (Ontario)) who purchase the Senior Notes as principal and that are not individuals unless those individuals are also "permitted clients" (as such term is defined in NI 31-103). By purchasing Senior Notes and accepting a purchase confirmation in respect thereof, a purchaser will be agreeing with and representing to the Issuer and any Agent participating in the trade that the purchaser is an accredited investor purchasing as principal along with certain other matters. See *"Representations and Agreements of Purchasers"*.
Book-Entry Form:	The Senior Notes will be delivered and recorded in book-entry form only through CDS or another depository selected by the Issuer in accordance with the Master Trust Indenture. Each Series of Senior Notes will be evidenced by a global note held by such depository, registered in its name or the name of its nominee, on behalf of all holders of such Series of Senior Notes. Subject to limited exceptions, no purchasers of Senior Notes will be entitled to a certificate or other instrument from the Issuer or CDS evidencing that purchaser's ownership thereof, and no holder of a Senior Note will be shown on the records maintained by CDS except through book-entry accounts of a participant of CDS acting on behalf of owners. See *"Depository Services"*.
Resale Restrictions:	Resale of the Senior Notes will be subject to restrictions under applicable securities legislation which vary depending on the relevant jurisdictions. **The Senior Notes may only be sold on a basis that is in accordance with, or pursuant to an exemption from, the prospectus requirements of applicable provincial securities laws and only through an appropriately registered dealer or pursuant to an exemption from the dealer registration requirements of applicable provincial securities laws.** See *"Restrictions on Resale"*.
Risk Factors:	The purchase of the Senior Notes is subject to risks. Prospective investors should carefully consider the risk factors and other information in this confidential shelf offering memorandum and the Term Sheet for each Offering before purchasing Senior Notes, including the discussion set forth under *"Risk Factors"*, and any additional disclosure set out in the Term Sheet for each Offering.

Indenture Trustee:	BNY Trust Company of Canada.
Issuer Trustee:	Computershare Trust Company of Canada.

THE ELECTRICITY INDUSTRY IN ONTARIO

General Overview

The Ontario electricity industry is principally comprised of three components:

- *Generation*: the production of electricity from various forms of energy, such as wind, solar, hydropower, natural gas and nuclear;
- *Transmission*: the transfer of electricity across high-voltage power lines from generating facilities to local areas; and
- *Distribution*: the delivery of electricity within local areas to homes and businesses using lower voltage power lines.

The structure of Ontario's electricity industry underwent significant changes in the late 1990s and early 2000s. Prior to April 1, 1999, Ontario Hydro, a Crown corporation, supplied most of Ontario's electricity generation and transmission needs. Consistent with initiatives taken in other electricity markets in North America at the time, the electricity industry was restructured in order to encourage greater competition. Ontario's competitive electricity market was opened by the IESO on May 1, 2002 and the market is used to administer the purchase and sale of wholesale electricity in Ontario.

Since the opening of the competitive market, Ontario's power supply mix has experienced significant change. As a result of provincial government policy, coal-fired generation has been eliminated and a significant amount of new capacity has been added as a result of new natural gas powered capacity, new wind and solar capacity and additional baseload nuclear generation capacity. These changes have resulted in significantly increased costs of electricity to consumers in Ontario.

While electricity supply in Ontario has increased, the province's electricity demand as reported by the IESO has fallen over the last decade, largely due to changes in economic conditions and conservation measures. Moreover, the addition of small scale solar generation embedded in the distribution system has reduced the level of demand that is supplied by transmission-connected generation. Reducing electricity demand by encouraging conservation and demand management has been a key part of the Government of Ontario's plan to reduce greenhouse gas emissions from the province's electricity sector. Shorter-term fluctuations in electricity demand are impacted by variations in seasonal weather conditions.

Real-time energy supply needs are met through the wholesale electricity market administered by the IESO. Generators offer their generation into this real-time energy market, or "spot market", to be dispatched by the IESO. The IESO receives hourly offers from electricity generators and importers to provide energy, along with bids to withdraw energy from a few flexible loads and exporters, and then schedules the lowest-cost offers and bids needed to meet demand. Virtually all generators in Ontario also have bilateral contracts with the IESO or receive regulated prices, or payment amounts, that provide for payments in addition to the market price of electricity that is paid to generators.

Key Industry Participants

Ontario Power Generation Inc.

OPG is a corporation formed under the *Business Corporation Act* (Ontario), whose sole shareholder is the Province of Ontario. In 1999, when Ontario Hydro was split up in anticipation of deregulation, OPG was formed to hold all of the generation assets. OPG has divested itself of certain of those assets, but remains the largest generator in Ontario.

OPG is Ontario's largest clean energy generator. As at the date hereof, OPG operated two nuclear generating stations, 66 hydroelectric generating stations, three thermal generating stations, and one wind power

turbine. OPG's mission is to provide low cost power in a safe, clean, reliable and sustainable manner for the benefit of its customers and its sole shareholder, the Province of Ontario. OPG's electricity generation accounts for almost half of the total energy generated and injected into Ontario's electricity transmission system, as reported by the IESO. OPG is one of the most experienced and largest generating companies in Canada with a broad set of relationships and capabilities. OPG is also experienced in successful complex financing arrangements of large capital projects, including the recently completed Lower Mattagami project.

Additional information about OPG is provided in the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum and is available at www.opg.com.

The IESO

The IESO is a non-share capital corporation created under the *Electricity Act, 1998* (Ontario). It was created as an amalgamation of two predecessor entities, one of which was also called the IESO ("**Predecessor IESO**") and the other of which was called the Ontario Power Authority ("**OPA**"). Predecessor IESO was responsible for operating the real-time electricity markets in Ontario, as well as administering the market rules. The OPA was the counterparty that entered into bilateral power or capacity purchase contracts with generators. These two entities were merged statutorily on January 1, 2015 into the IESO, which now carries out all of these functions. As a non-share capital corporation, the IESO does not have any shareholders or owners, but it is governed by an independent Board of Directors whose chair and directors are appointed by the Minister of Energy.

Additional information about the IESO is provided in the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum and is available at www.ieso.ca.

The Ontario Energy Board

The OEB is a non-share capital corporation created under the *Ontario Energy Board Act, 1998*. The OEB is an independent and impartial public regulatory agency. The *Ontario Energy Board Act, 1998* provides the OEB with the authority to license and regulate the participants in Ontario's electricity market, including the activities of the IESO, transmitters and distributors which are also Electricity Vendors for the purposes of the FHPA.

The OEB has the following objectives in relation to the electricity industry:

(a) to protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service;

(b) to promote the education of consumers;

(c) to promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry;

(d) to promote electricity conservation and demand management in a manner consistent with the policies of the Province of Ontario, including having regard to the consumer's economic circumstances;

(e) to facilitate the implementation of a smart grid in Ontario; and

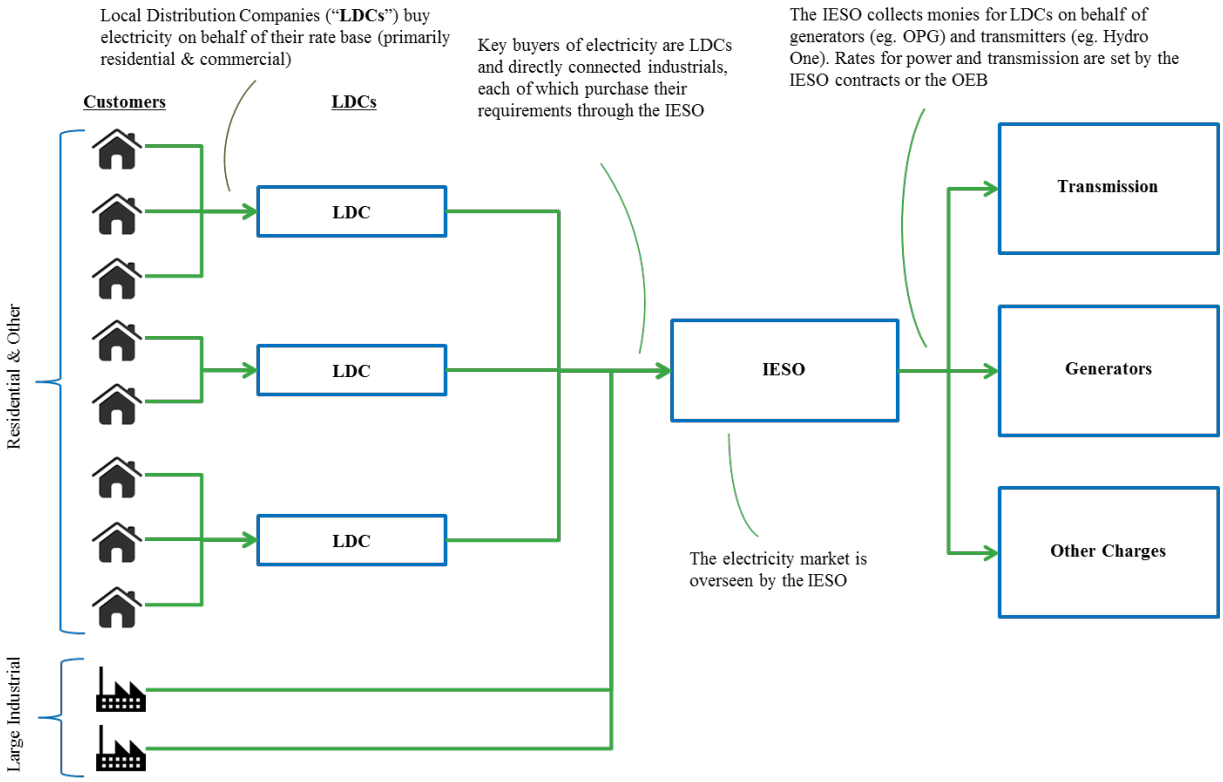
(f) to promote the use and generation of electricity from renewable energy sources in a manner consistent with the policies of the Ontario government, including the timely expansion or reinforcement of transmission systems and distribution systems to accommodate the connection of renewable energy generation facilities.

The OEB is responsible for, among other things, approving transmission and distribution rates in Ontario, as well as payment amounts for OPG's nuclear and hydroelectric generation. It also approves the construction, expansion, or reinforcement of transmission lines greater than two kilometres in length, as well as mergers,

acquisitions, amalgamations and divestitures involving distributors, transmitters and other entities which it licenses. The activities of transmitters and distributors are subject to the conditions of their transmission and distribution licenses, as applicable, which require compliance with a number of industry codes issued by the OEB, as well as with the market rules that are administered by the IESO. These codes and other requirements prescribe minimum standards of conduct and service for licensed participants in the electricity market.

Electricity Vendors

As part of the restructuring of Ontario's electricity industry, the province's municipally-owned electricity distributors were reorganized into separate business corporations. These distributors are typically referred to in Ontario as local distribution companies, or "**LDCs**". An LDC is responsible for distributing electricity to customers in its OEB-licensed service territory, and in some cases to other distributors. A service territory may cover large portions or all of a particular municipality, or an otherwise-defined geographic area. Distribution customers include residential, commercial and industrial end-users, such as governments, schools and hospitals. At multi-unit buildings within an LDC's service territory, there may be a unit sub-metering service provider that provides metering services for each individual unit. These sub-metering service providers are also licensed by the OEB. The following diagram depicts a simplified flow of funds between the key industry participants:[29]



See the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum for more details regarding LDCs.

Electricity Prices

There are two components that make up the commodity cost of electricity in Ontario, the Hourly Ontario Energy Price ("**HOEP**") and the Global Adjustment charge.

[29] **Note:** Proposed revisions to the text in the chart: (i) "The electricity market is ~~overseen~~ administered by the IESO"; (ii) "~~Rates for power and transmission are set by the IESO contracts or the OEB.~~ Prices paid to generators are determined by IESO contracts or approved by the OEB. Transmission rates are approved by the OEB."

- The HOEP is set by the IESO based on bids and offers in the real-time energy market that is administered by the IESO.

- The global adjustment charge is paid by all consumers. It is established monthly by the IESO in accordance with regulations and is used to collect funds used by the IESO to pay certain "out of market" costs that are not compensated by the HOEP, including the cost of energy supply contracts with generators and payments made to certain generators, including OPG, that are entitled to a regulated rate of return based on OEB-established payment amounts. For all Specified Consumers[30] the global adjustment charge is based on electricity usage on a per unit basis.

Prior to the FHPA being passed, the amount collected by the IESO on account of the HOEP and global adjustment charge was approximately equal to the IESO's liabilities in this regard, subject to certain periodic true-ups and adjustments to keep the IESO whole.

At the request of the Minister of Energy in 2004, and in accordance with amendments to legislation, the OEB created the "**Regulated Price Plan**" or "**RPP**", which establishes time-of-use and tiered commodity prices for residential, farm and small commercial customers. Prior to the introduction of the FHPA, the RPP prices were reviewed and changed every six months based on an updated forecast and any accumulated differences between the amounts collected from RPP consumers and the amount paid to generators in previous periods. RPP prices are now established in accordance with the FHPA. Most Specified Consumers are billed for electricity based on the Regulated Price Plan, although some Specified Consumers may be invoiced the HOEP and the global adjustment charge by their LDC for electricity they have consumed. The IESO has also stated that there is one Specified Consumer connected directly to the transmission system and settled by the IESO, not an LDC.

While most residential and small commercial consumers in Ontario choose to purchase their electricity under the RPP, consumers in Ontario may instead choose to buy their electricity from a licensed retailer pursuant to a retail contract that provides a fixed rate for electricity over a specified period. These customers are also required to pay the global adjustment charge in addition to the rate under their retail contract.

In addition to the HOEP and global adjustment charges, or RPP prices, as the case may be, electricity consumers pay a number of other uplifts and charges, such as transmission and distribution tariffs.

ONTARIO'S FAIR HYDRO PLAN

Background

On June 1, 2017, the Ontario Legislature passed the *Ontario Fair Hydro Plan Act, 2017*[31] (the "**FHPA**")[, legislation that reallocates certain electricity costs over time and provides immediate rate relief to consumers][32]. From July 1, 2017 until April 30, 2018, electricity rates payable by Specified Consumers (a category of consumers that generally is comprised of residential consumers, small businesses and farms) will be the rates that result in a representative consumer being charged an invoice amount that is 25%[33] less than the rate that would otherwise have been determined by the OEB for that period (the "**Fair Adjustment**") absent Ontario's Fair Hydro Plan.

Under the FHPA, a "**Specified Consumer**" is:

(a) a person who has an account with an Electricity Vendor for the supply of electricity in the Province of Ontario and meets any one of the following criteria:

[30] **Note:** Some consumers below 500 kw are not Specified Consumers.

[31] **Note:** The FHPA was Schedule 1 to omnibus legislation entitled the *Fair Hydro Act, 2017*. Further, already defined as the FHPA above.

[32] **Note:** This narrative should be removed, or if necessary, the description of the FHPA should track the purposes of the Act as set out in Section 3 to the Act.

[33] The 25% reduction includes an 8% rebate equivalent to the provincial portion of the harmonized sales tax previously granted by the Ontario government and the shifting of certain support program costs from the rate base to the tax base.

(i) the person has a demand for electricity of 50 kilowatts or less, or such other amount as may be prescribed by the Regulations;

(ii) the person annually uses not more than 250,000 kilowatt hours of electricity, or such other amount as may be prescribed by the Regulations;

(iii) the person carries on a business that is a farming business for the purposes of the *Farm Registration and Farm Organizations Funding Act, 1993* and either holds a valid registration number assigned under that Act or has had the obligation to file a farming business registration form waived pursuant to an order made under subsection 22(6) of that Act;

(iv) the person's account with the Electricity Vendor relates to

(A) a dwelling;

(B) a property within the meaning of the *Condominium Act, 1998*;

(C) a residential complex within the meaning of subsection 2(1) of the *Residential Tenancies Act, 2006*, without regard to section 5 of that Act; or

(D) a property that includes one or more housing units and that is owned or leased by a co-operative within the meaning of the *Co-operative Corporations Act*; or

(v) the person satisfies such criteria as may be prescribed by the Regulations; or

(b) such other person as may be prescribed by the Regulations.

Electricity bills for Specified Consumers for the period between May 1, 2018 and April 30, 2019 are to increase by the rate of inflation (or remain unchanged in the event inflation is negative). Permitted increases after April 30, 2019 will be determined by the Ontario government through additional regulations, though the Ontario government has indicated its intention that rate increases will be held to the rate of inflation until 2021.

Under the FHPA, OPG is appointed as the initial Financial Services Manager and given the authority to, among other things, establish, or cause to be established, one or more financing entities (each, a "**Financing Entity**") to incur payment obligations (such obligations, "**Funding Obligations**") to fund the acquisition of an Investment Interest. The Issuer is a Financing Entity under the FHPA and the Senior Notes are Funding Obligations under the FHPA.

Regulatory Asset

Under the FHPA, each month the IESO determines the shortfall that results from the Fair Adjustment as compared to what the IESO would have been entitled to receive without the Fair Adjustment and records this amount, together with the costs of financing the shortfall, in a variance account.[34] The IESO has the right, exercisable in accordance with the FHPA and the Regulations, to recover the balance recorded in the variance account from Specified Consumers (such right, the "**Regulatory Asset**"). However, in accordance with the FHPA, the IESO is not entitled to collect all or part of the balance recorded in the variance account (which is the basis of the Regulatory Asset) from specified consumers before May 1, 2021. The IESO may, in accordance with the FHPA, transfer a specified portion of the Regulatory Asset to a Financing Entity for a cash purchase price equal to the amount recorded in the variance account in respect of such specified portion of the Regulatory Asset. Upon receipt by the IESO of payment by the Financing Entity, the IESO retains no further right, title or interest in the corresponding Investment Interest.

[34] **Note:** Please consider disclosure of further details as to what is recorded in the variance account. For instance, paragraph 3 of Section 15 in the General Regulation states that amounts incurred by the IESO on or after May 1, 2017 but before the FHPA came into force may be recorded in the IESO deferral.

Investment Interest

By acquiring an Investment Interest, the Financing Entity is financing a portion of the shortfall that results from the Fair Adjustment and, as an owner of the Investment Interest, will be entitled to recover its "Finance Amount" (the costs of such financing). While a Financing Entity may choose to acquire an Investment Interest from the IESO, it is under no obligation to do so.

If the IESO and a Financing Entity agree to the transfer of a specified portion of the Regulatory Asset from the IESO, such transfer results in the creation of a current and irrevocable property right that is immediately vested in the Financing Entity, free and clear of any adverse claim (such right, the "**Investment Asset**", and an ownership interest therein, an "**Investment Interest**"). The Investment Asset consists, collectively, of the following rights and interests of Investment Interest owners (among other things):[35]

(a) the right and interest to impose, invoice, collect, receive and recover the Clean Energy Adjustment from Specified Consumers, including the right to determine the Clean Energy Adjustment in accordance with the FHPA;

(b) the right to receive, collect and recover the Clean Energy Adjustment that is imposed, invoiced and recoverable under the FHPA, including any amounts in respect of the Clean Energy Adjustment that are held by Electricity Vendors or the IESO;

(c) the right to enforce the duties and obligations under the FHPA of each Electricity Vendor to impose, attribute, charge and invoice for the Clean Energy Adjustment;

(d) the right to enforce the duties and obligations under the FHPA of each Electricity Vendor and the IESO to collect, receive and remit amounts received by it in respect of the Clean Energy Adjustment, including all collections and the proceeds of any enforcement action undertaken by any Electricity Vendor to recover payment of the Clean Energy Adjustment;

(e) all rights of any kind related to any of the other property rights or interests that comprise the Investment Interest, including any rights to receive a payment obligation incurred by the IESO as part of the transfer of the Regulatory Asset (such payment obligations incurred by the IESO being "**Funding Rebates**"); and

(f) all revenue, collections, claims, payments, money and proceeds of or derived from the rights described in paragraphs (a) to (e), regardless of whether it is invoiced, collected and maintained together with or commingled with other revenue, collections, claims, payments, money and proceeds.

Clean Energy Adjustment

The "**Clean Energy Adjustment**" is the amount calculated in accordance with the FHPA and payable by Specified Consumers [to cover the cost of financing the shortfall that results from the Fair Adjustment].[36] The Financial Services Manager will determine the amount of the Clean Energy Adjustment payable by Specified Consumers for each month of a Reference Period. The Clean Energy Adjustment is based on an estimate of the amount payable by a Financing Entity in a Reference Period in respect of the Finance Amount and the True-up Amount (each as described below).

The "**Finance Amount**" in respect of the Issuer for a period of time is an amount determined by the Financial Services Manager as follows:

[35] **Note:** Please consider disclosing in this section that the Investment Asset is a collective right of the Investment Interest owners. While this is explained in a risk factor ("The Issuer may have a co-ownership interest in the Investment Asset with other Financing Entities), additional explanation/ disclosure may be warranted here.

[36] **Note:** Consider that the statutory definition of "Clean Energy Adjustment" states that it is "the amount determined under section 15 [of the FHPA] and payable by specified consumers". The FHPA does not expressly state the purpose of the Clean Energy Adjustment.

(a) after eliminating any duplication in the following amounts, calculating the sum of the following amounts:

(i) amounts paid or payable during the period in respect of the payment by or on behalf of the Issuer or the provision by or on behalf of the Issuer for the payment of all or a portion of the principal amount advanced to the Issuer under a Funding Obligation;

(ii) interest, commitment fees or other similar costs payable by or on behalf of the Issuer in respect of Funding Obligations that are paid or payable during the period;

(iii) amounts payable by or on behalf of the Issuer to redeem, prepay or repurchase Funding Obligations incurred by or on behalf of the Issuer, including any premium, make-whole or other amount payable to give effect to the prepayment, redemption or repurchase, that are paid or payable during the period;

(iv) payments required to be made in respect of any derivative agreements during the period, including ordinary course payments, payments on termination and payments made in connection with margining or collateral arrangements;

(v) amounts deposited, as required under the governing documents of Funding Obligations, into capital accounts or finance reserve accounts during the Reference Period;

(vi) Issuer expenses, including fees (including fees charged by the Financial Services Manager), charges, costs, indemnities, reimbursements and other amounts incurred or committed to by or on behalf of the Issuer as a result of an activity authorized or permitted under the FHPA, and any taxes on such amounts, in each case that are paid or payable during the period;

(vii) taxes paid or payable by or on behalf of the Issuer, incurred directly or indirectly by the Issuer, or for which the Issuer is otherwise liable as a result of any activity, undertaking, transaction or event authorized or permitted under the FHPA that payable during the period; and

(viii) amounts paid or payable by or on behalf of the Issuer during the period to any guarantor or surety that made a payment of an amount due and payable under a funding obligation, including pursuant to a guarantee, indemnity, contract of insurance or agreement entered into under subsection 5(2) or (3) of the FHPA;

(b) after eliminating any duplication in the following amounts, calculating the sum of the following amounts:

(i) amounts withdrawn, as required under the governing documents of Funding Obligations, from capital accounts or finance reserve accounts during the period;

(ii) for any period before May 1, 2021, amounts received during the period in respect of Carrying Costs and Funding Rebates and for any period on and after May 1, 2021, amounts received during the period in respect of Funding Rebates;

(iii) the aggregate of all amounts received by or on behalf of the Issuer in respect of Funding Obligations during the period;

(iv) the principal amount of Funding Obligations incurred by the Issuer that are applied to refinance existing Funding Obligation during the period;

(v) any payments received in connection with a derivative agreement, including ordinary course receipts, payments received on termination and payments received in connection with margining or collateral arrangements, in each case during the period;

(vi) amounts received by or on behalf of the Issuer as a refund of tax and to which the Issuer is entitled as a result of any activity, undertaking, transaction or event authorized or permitted under the FHPA during the period; and

(c) subtracting the sum calculated under (b) from the sum calculated under (a).

In determining the Clean Energy Adjustment, the Financial Services Manager must also calculate a "**True-up Amount**" in accordance with the Regulations. In principle, the True-up Amount should serve to ensure that the collection of the Clean Energy Adjustments is sufficient to pay the Finance Amount when it is due, by capturing any Finance Amounts not previously received in respect of the Clean Energy Adjustment during the preceding Reference Periods. The True-up Amount may also reflect historical and reasonably foreseeable differences between the estimated and actual Finance Amount; between amounts invoiced and amounts collected due to various factors, including applicable taxes, consumer defaults and delays, billing lags and write-offs; and variations in billings due to variations in electricity consumption. In determining such differences, the Financial Services Manager is required to have regard to amounts payable that were not collected and any amounts in respect of which an overpayment was made, which may include amounts resulting from a default of Specified Consumers, an Electricity Vendor or the IESO, whether in its capacity as an Electricity Vendor or its activities as agent or otherwise under the FHPA and the Regulations. The Regulations obligate the Financial Services Manager to calculate the True-up Amount in respect of each Reference Period so long as all Funding Obligations and other Finance Amounts have not been paid in full. The Financial Services Manager may also at any time during a Reference Period determine an interim True-up Amount if, among other things, it reasonably forecasts that the collection of the Clean Energy Adjustment will be insufficient to pay the estimated Finance Amount for a Reference Period.

The Financial Services Manager must notify the OEB of the Clean Energy Adjustment for each Reference Period. The OEB must accept this amount and will determine the rates at which Specified Consumers are to be invoiced to recover the Clean Energy Adjustment. The rates are expressed as a cent per kWh amount and are determined by the OEB by dividing (i) the Clean Energy Adjustment provided by the Financial Services Manager in respect of the relevant period of time by (ii) the forecast of electricity consumption of Specified Creditors in respect of such period, based on forecast information provided to the OEB by the IESO. Electricity Vendors are required to invoice their Specified Consumers for the Clean Energy Adjustment, as determined by applying the rate set by the OEB, which is required to be included as a separate line item on each invoice. Electricity Vendors are required to collect, as agent of the [Issuer],[37] amounts in respect of the Clean Energy Adjustment, deposit such amounts into a segregated account established for the purpose of receiving those amounts, and hold such amounts in trust for the benefit of the [Issuer] until remitted to the IESO for the benefit of the [the owners of Investment Interests (initially, only the Issuer)]. If an Electricity Vendor does not receive payment in full of an invoice issued to a Specified Consumer, the Electricity Vendor shall allocate any payment received on a *pro rata* basis to the Clean Energy Adjustment and the other amounts payable under the particular invoice.[38] It is a deemed condition of their licenses that Electricity Vendors comply with their obligations under the FHPA.[39] If there are any amounts that are collected by the Electricity Vendor, but not remitted to the IESO to remit to [the Issuer] during a Reference Period, such shortfall will be included in the True-up Amount for the subsequent period.

An amount in respect of the Clean Energy Adjustment shown on an invoice issued to a Specified Consumer is determinative of the amount of such Specified Consumer's indebtedness resulting from the Clean Energy Adjustment and is irrevocable upon invoicing and may not be set off or bypassed, except to the extent that the invoice reflects a clerical, typographical or calculation-related error. [Commencing May 1, 2021, a charge in respect of the Clean Energy Adjustment will be included on invoices sent to Specified Consumers, and collected and

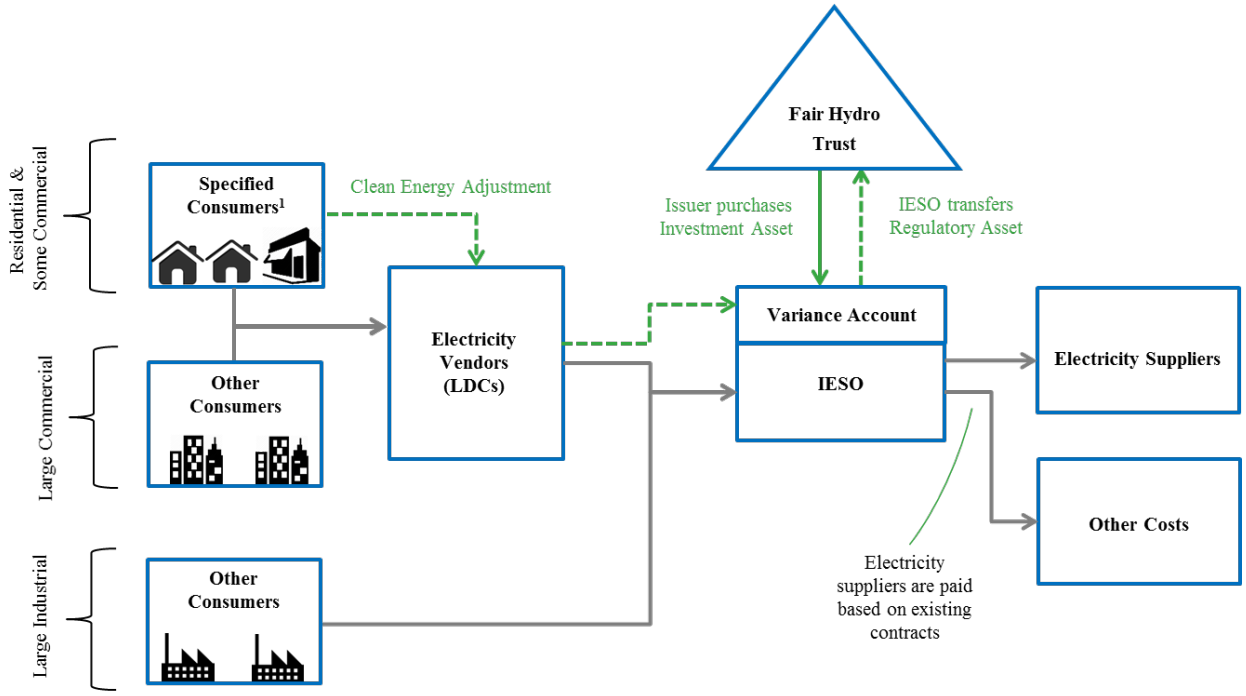
[37] **Note:** Please see note 17 regarding the placement of square brackets around "the Issuer" in this paragraph. The disclosure should indicate that amounts are collected for the Investment Interests owners (and that, as at the date of the OM, the Issuer is the only Investment Interest owner).

[38] **Note:** Please consider revising to conform more closely to Section 17(4) of the FHPA.

[39] **Note:** Please confirm.

remitted to the Issuer to pay amounts owing on the Senior Notes and all other administrative and other financing expenses of the Issuer. From July 1, 2017 until April 30, 2021 (the "**Moratorium Period**"), no Clean Energy Adjustments are permitted to be collected from Specified Consumers. During the Moratorium Period, the sole source of funds for payment on the Senior Notes, and the Issuer's other Carrying Costs, will be the amounts the IESO is obligated to pay under the Regulations during such period.][40] See *"— IESO Payment of Carrying Costs during the Moratorium Period"* below. Once it starts being included on such invoices, the Clean Energy Adjustment will be collected until all outstanding Funding Obligations and other Finance Amounts have been repaid in full. Subject to the FHPA, the Clean Energy Adjustment will be collected and remitted to the Issuer to pay the Finance Amount, including the principal and interest on the Senior Notes and all other administrative and other financing expenses of the Issuer.

The following diagram illustrates the flow of funds under the Fair Hydro Plan.



[1] There is currently one Specified Consumer that is directly connected to the IESO and, accordingly, makes payments, including in respect of the Clean Energy Adjustment, directly to the IESO.

Fair Allocation Amount and Financing Plan

The FHPA was enacted to: (i) ensure that Clean Energy Costs and Clean Energy Benefits are fairly allocated among present and future Specified Consumers; (ii) recognize that Clean Energy Benefits have accrued and will accrue over time and will continue to benefit present and future electricity consumers in Ontario; and (iii) align Clean Energy Costs with Clean Energy Benefits, in order to provide fairness for Specified Consumers over time. Under the FHPA, the Minister of Energy calculates a "**Fair Allocation Amount**", which is an amount for every Reference Period that, among other things, allocates the estimated Clean Energy Costs in proportion to the relative attribution of Clean Energy Benefits among Specified Consumers.[41] Under the FHPA, the Minister of Energy is responsible for determining the Fair Allocation Amount prior to the incurrence of the first Funding Obligation. The Fair Allocation Amount may be changed from time to time in accordance with the FHPA , provided

[40] **Note:** This narrative should more precisely track the FHPA. The relevant provisions are Section 25(3) [*the IESO shall not be entitled to collect all or part of the balance recorded in the variance account from specified consumers before May 1, 2021*] and Section 21(4) [*limitation on the Financial Services Manager incurring funding obligations payable through Clean Energy Adjustments from July 1, 2017 to April 30, 2021*].

[41] **Note:** Please consider a description of the fair allocation amount that more closely aligns to Section 20(1) of the FHPA.

that no change of the Fair Allocation Amount shall affect any Clean Energy Adjustment that arises as a result of a Funding Obligation that has been incurred prior to such change.

OPG, as Financial Services Manager, is required to prepare a Financing Plan to evaluate whether and when potential Funding Obligations should be incurred by a Financing Entity to acquire an Investment Interest or for the purposes of a Refinancing. The Financial Services Manager is required to prepare the Financing Plan having regard to certain prescribed principles, including that Funding Obligations should be incurred such that, along with any Funding Obligations already incurred, the estimated Finance Amount that would, subject to any Refinancing, become due and payable during a Reference Period will reasonably align with the Fair Allocation Amount determined in respect of such Reference Period as of the date the Funding Obligations were incurred, after reducing the Fair Allocation Amount by the Readjustment Amount, if any, in respect of the Reference Period. In other words, the Financing Plan should contemplate the issuance of Funding Obligations from time to time, with terms that would result in Clean Energy Adjustments being payable by Specified Consumers that align with the purposes of the FHPA[, namely, to ensure that present and future Specified Consumers are bearing their fair share of the costs of providing Clean Energy Benefits][42]. Notwithstanding the above, the FHPA provides that each Funding Obligation is deemed to be consistent with the Financing Plan and to provide for the reasonable alignment of the estimated Finance Amount with the Fair Allocation Amount.

Currently, the Clean Energy Costs have been determined to exceed the Clean Energy Benefits, with the result that the Fair Allocation Amount is negative. This [means that the Minister of Energy has determined that current Specified Consumers have borne more than their fair share of Clean Energy Costs (with the consequent rate reduction for current Specified Consumers). The Fair Allocation Amount is expected to be negative until at least May 2024.][43] Accordingly, the Financing Plan does not currently contemplate the issuance of any Senior Notes maturing prior to May 2024. The Financial Services Manager may, however, determine to refinance Senior Notes maturing after May 2024 through the issuance of another Series of Senior Notes. If Senior Notes cannot be refinanced on or before the applicable Principal Payment Default Date, holders of such Senior Notes will have the ability to accelerate their Senior Notes resulting in Clean Energy Adjustments that would otherwise be used to pay the principal amount of subordinated indebtedness to holders of subordinated Notes being used to pay holders of accelerated Senior Notes.

The Financing Plan allows for the issuance of a variety of short and long term debt. See the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum for more details regarding the Financing Plan and the Fair Allocation Amount.

IESO Payment of Carrying Costs During the Moratorium Period

Commencing May 1, 2021, a charge in respect of the Clean Energy Adjustment will be included on invoices sent to Specified Consumers, and collected and remitted to the Issuer to pay amounts owing on the Senior Notes and all other administrative and financing expenses of the Issuer. During the Moratorium Period and extending to July 31, 2021,[44] the IESO, which is rated A(high) by DBRS Limited ("**DBRS**") and Aa2 by Moody's Investors Services, Inc. ("**Moody's**"), is required under the Regulations to pay and remit to the Issuer amounts charged to the IESO by the Issuer in respect of its Carrying Costs. Carrying Costs include all funding costs (such as interest on the Senior Notes) and other expenses of the Issuer, other than repayment of principal on any debt obligations of the Issuer (including repayment of principal on the Senior Notes).[45] The amounts paid by the IESO to fund these Carrying Costs will be recorded by the IESO in a variance account and form part of the Regulatory Asset that the IESO is expected to transfer to the Issuer in a subsequent period and, upon such transfer, will become part of the Issuer's Investment Interest pursuant to the Regulations.

Pursuant to the Master Transfer and Servicing Agreement, on or before the fourth business day of each calendar month, the Issuer will submit a carrying costs statement to the IESO certifying the amount of Carrying

[42] **Note:** Any description of the purpose of the FHPA should conform with the stated purposes of the Act set out in Section 3.

[43] **Note:** MOE to confirm.

[44] **Note:** Please clarify this disclosure for consistency with Section 9.1(1) of the General Regulation. This provision states that the IESO shall pay financing entity carrying costs in respect of the period beginning June 1, 2017 (before the Moratorium Period) and ending July 31, 2021.

[45] **Note:** Consider revising to conform with the definition of "carrying costs" in Section 9.1(3) of the General Regulation.

Costs estimated to be incurred by the Issuer in the following month. On or before the 14th business day following receipt of the Issuer's statement, the IESO is required to deliver the amount specified in the carrying costs statement to the Issuer. See *"The Transferor and Servicer"*. The IESO has a $2 billion unsecured credit facility provided by the Ontario Financing Authority, expiring ■, 20■, which is permitted to be used to pay the Issuer's Carrying Costs. Furthermore, as security for the performance of its obligations under the Regulations to pay the Issuer's Carrying Costs, the IESO has granted the Issuer a first-priority security interest in all of its accounts receivable, which includes the amounts receivable by the IESO from Electricity Vendors with respect to the global adjustment charge. See *"The Transferor and Servicer"*.

Other Statutory Protections

The FHPA provides certain protection and assurances in respect of the obligations of Specified Consumers to pay amounts in respect of the Clean Energy Adjustment. Generally, no action or omission by the OEB, the Minister of Energy or the Crown, and no regulation under the FHPA, will be effective to reduce, impair, postpone or terminate the obligations of Specified Consumers to pay amounts in respect of the Clean Energy Adjustment or to impair or postpone the invoicing, collection or remittance of the Clean Energy Adjustment. If an Electricity Vendor, the IESO or the Financial Services Manager, has failed, or will fail, to comply with the FHPA or the Regulations, the Issuer may apply to an Ontario court to make an order directing such party to comply and requiring compensation to be provided to the Issuer by such non-compliant party. Additional contractual protections are provided in the Change of Law Protection Agreement described below.

CHANGE OF LAW PROTECTION AGREEMENT

The following brief summary of certain provisions of the Change of Law Protection Agreement does not purport to be comprehensive or definitive. All references in this confidential shelf offering memorandum to the Change of Law Protection Agreement are qualified in their entirety by reference to the Change of Law Protection Agreement and the detailed provisions thereof. The Change of Law Protection Agreement may be reviewed at the principal office of the Issuer Trustee in Toronto, Ontario during normal business hours while any Senior Notes are outstanding.

Pursuant to the Change of Law Protection Agreement in favour of the Indenture Trustee, upon a Protection Event and delivery by the Indenture Trustee of a written payment demand, the Province of Ontario is required to make payments of amounts that are due and payable in respect of all Approved Obligations when due and payable into the Protection Account (as hereinafter defined). The Issuer and Indenture Trustee must ensure that amounts deposited into the Protection Account are applied to pay each Specified Creditor to whom an amount is due and payable under an Approved Obligation. The Province of Ontario's obligation to make such payments under the Change of Law Protection Agreement upon a Protection Event and delivery by the Indenture Trustee of a written payment demand is referred to as the "**Limited Guarantee**".

The payment obligations of the Province of Ontario under the Limited Guarantee differ depending on whether an Acceleration has occurred. If no Acceleration has occurred in respect of any Obligation Secured on or before a date on which the Province of Ontario is to perform the Limited Guarantee, the Change of Law Protection Agreement provides that the Province of Ontario is to pay the amounts due and payable on such date in respect of Approved Obligations. If an Acceleration has occurred in respect of any Obligation Secured on or before a date on which the Province of Ontario is to perform the Limited Guarantee, the Province of Ontario is to pay the amounts that would be available to be paid on such date in respect of the Approved Obligation on an applicable payment date in respect of the Approved Obligation under the applicable payment provisions of the Master Trust Indenture, determined on the assumption that the amount available for allocation to Specified Creditors in accordance with such applicable payment provisions of the Master Trust Indenture in respect of each relevant month during each Reference Period is equal to the estimated Finance Amount determined in respect of such Reference Period for purposes of [section 15(1) of the FHPA (in effect as at December 21, 2017), including section 6.1 of the General

Regulation under the FHPA (in effect as at December 21, 2017)][46], divided by the number of months in such Reference Period.

The Province of Ontario is not obligated to pay or indemnify the Indenture Trustee or any Specified Creditor for consequential, special or punitive damages, or for economic loss or loss of profits (provided that economic loss does not include payments of amounts that are due and payable in respect of the Notes).

Under the Change of Law Protection Agreement, the right to deliver a written payment demand on occurrence of a Protection Event to enforce the Limited Guarantee is the only remedy available to the Indenture Trustee (and to Specified Creditors, to the extent they are permitted to exercise any rights, interests or elections under and in accordance with the Master Trust Indenture). Specified Creditors are not permitted to exercise any rights, interests, or elections under the Change of Law Protection Agreement, other than in the manner and to the extent effected and exercised under, in accordance with and subject to the limitations set forth in the Master Trust Indenture as at December 21, 2017.

In connection with the provision of the Limited Guarantee, OPG, as Financial Services Manager, has entered into a process agreement with the Province of Ontario pursuant to which OPG is required to satisfy certain reporting and other requirements regarding the Issuer's incurrence of, and material amendments to, any Issuer Funding Obligations.

Protection Event

Each of the following constitutes a "**Protection Event**" under the Change of Law Protection Agreement:

(a)

(i) the Ontario legislature repeals, and does not replace on an equivalent basis, or amends, the FHPA, in whole or in part, as in effect on the date hereof;

(ii) the Ontario legislature enacts or amends any other statute;

(iii) the Lieutenant Governor in Council repeals, and does not replace on an equivalent basis, the regulations made under the FHPA, in whole or in part, as in effect on the date hereof;

(iv) the Lieutenant Governor in Council, a minister of the Crown, an official of the government or a board or commission all the members of which are appointed by the Lieutenant Governor in Council makes or amends any "regulation" (as defined in Part III of the *Legislation Act, 2006*) as in effect on the date hereof; or

(v) the implementation of a change in the organization or structure of the IESO or Ontario's electricity market undertaken at the initiative of the Province of Ontario or an entity controlled by the Province of Ontario,

in each case, that (X) adversely affects the ability of the Issuer to receive amounts in respect of its Investment Interest so that it can pay Approved Obligations when due and payable, in each case determined after taking into account and having regard to (i) any funds available at such time to apply to such Approved Obligations, including in any finance reserve account, capital account or collateral posting account applicable under a derivative agreement, (ii) the availability of any credit enhancement agreement to which the Issuer is a party and (iii) any reasonably expected potential effect of a True-up Amount in the Reference Period immediately following the occurrence of an event described in any of clauses (i) to (v) above, or (Y) adversely affects the enforceability of, or adversely changes, the terms and conditions of the Change of Law Protection Agreement or of any of the agreements under which Approved Obligations arise; or

[46] Perhaps this should instead cross-reference a more detailed description and explanation of the "Acceleration" mechanics under 6.1 of the Regulation.

(b) a court of competent jurisdiction determines that all or a portion of the FHPA or the Regulations, as in effect on the date hereof, is *ultra vires* or invalid in a way that adversely affects the ability of the Issuer to receive amounts in respect of its Investment Interest so that it can pay Approved Obligations when due and payable and that has the effect of the Issuer not in fact having sufficient funds to pay such Approved Obligations that have become due and payable, in each case determined after taking into account and having regard to (i) any funds available at such time to apply to such Approved Obligations, including in any finance reserve account, capital account or collateral posting account applicable under a derivative agreement, (ii) the availability of any credit enhancement agreement to which the Issuer is a party and (iii) any reasonably expected potential effect of a True-up Amount in the Reference Period immediately following the occurrence of an event described in this paragraph (b).

The occurrence of a Protection Event in and of itself will not result in the acceleration of the Senior Notes.

On a Protection Event and payment by the Province of Ontario of amounts in respect of Approved Obligations that are due and payable into the Protection Account, such deposited amounts are applied by the Issuer and Indenture Trustee in the priority of payments governed by the Master Trust Indenture.

Upon the Province of Ontario's payment of amounts in respect of Approved Obligations that are due and payable into the Protection Account, the Province of Ontario will be subrogated and entitled to all of the rights and interests of applicable Specified Creditors (including Noteholders) under and in respect of the Approved Obligations to the extent of the amounts paid. Applicable Specified Creditors in respect of whom amounts were deposited into the Protection Account will not have continuing rights, interests or entitlements (including rights as a secured party) in respect of Approved Obligations to the extent so paid; the Province of Ontario will be the absolute assignee of such rights. The Province of Ontario will have the right to be paid from the Issuer the amounts that the Province of Ontario paid in respect of the Approved Obligations ("**Subrogation Amounts**"), such Subrogation Amounts being payable in the same order of priority and with the same entitlements accruing to the Province of Ontario as applied to the amounts in respect of the Approved Obligations previously owing to Specified Creditors that the Province of Ontario has paid. The Province of Ontario will also be entitled to the benefit of the Collateral (as hereinafter defined) and proceeds therefrom to the extent of the amounts paid under the Limited Guarantee.

As payee of Subrogation Amounts, the Province of Ontario will be a Specified Creditor under the Master Trust Indenture and no person entitled under any Obligation Secured (including a Specified Creditor) that ranks equal with or subordinate to the Approved Obligation in respect of which the Province of Ontario is owed a Subrogation Amount will be entitled to make any claim or assert any right in or to the amounts paid or payable to the Province of Ontario, and no such person will have any right to the Collateral or any proceeds therefrom in respect of any Subrogation Amount. Further, the entitlements of the Province of Ontario to Subrogation Amounts arising in respect of Approved Obligations that are interest and principal obligations on Notes will be treated for all purposes of the Master Trust Indenture as interest and principal obligations, respectively, arising under Notes, having the same priority and any applicable voting rights as under the related Approved Obligations, and accordingly the Province of Ontario will be entitled to all of the rights, entitlements, interests and privileges of a holder of such Notes in accordance with the Master Trust Indenture, as supplemented by the supplemental indenture or other indenture document under which the related Approved Obligations were issued.

Approved Obligations & Adherence Conditions

Under the Management Agreement, the Manager is required to ensure that all obligations of the Issuer are and remain Approved Obligations under the Change of Law Protection Agreement.

An "**Approved Obligation**" under the Change of Law Protection Agreement means: (i) a Certified Primary Obligation if the adherence conditions applicable thereto have been satisfied at the time such obligation was incurred; (ii) all other Primary Obligations that are not Certified Primary Obligations (except any Primary Obligation to which the Limited Guarantee will not apply on or after delivery of a Suspension Notice as described below); and (iii) all Certified Primary Obligations that the Province of Ontario, in its sole discretion, designates in writing is an Approved Obligation.

A "**Primary Obligation**" under the Change of Law Protection Agreements means any Obligation Secured under the Master Trust Indenture (i) that is a Funding Obligation or (ii) that otherwise is a payment obligation of the Issuer that gives rise to a Finance Amount, in each case other than (x) any amounts required to be deposited by or on behalf of the Issuer into any capital account or finance reserve account; and (y) any obligation to pay the Issuer or on the Issuer's direction any remaining amounts in the Collection Account pursuant to the Master Trust Indenture.

A "**Certified Primary Obligation**" means a Primary Obligation: (i) incurred by or on behalf of the Issuer to fund its ownership of an Investment Interest, including any Refinancing, other than a Post-Suspension Refinancing or a Pre-Approved Refinancing (each as defined below), of such a Primary Obligation (for greater certainty, including, in the case of any Certified Primary Obligation permitting funding transactions pursuant to a Funding Obligation Agreement applicable to the Certified Primary Obligation, each individual borrowing or funding utilization thereunder), (ii) incurred by or on behalf of the Issuer upon the Issuer entering into a derivative agreement, in which case the Certified Primary Obligation therefor shall be the Master Agreement applicable to such derivative agreement and not any individual trade confirmation other than a trade confirmation that modifies or purports to override the express terms or conditions of the related Master Agreement, or (iii) incurred by or on behalf of the Issuer upon entering into a contract that has a term of more than three (3) years which is not terminable by the Issuer giving three (3) years' notice or less and expected (as determined by the Manager, acting reasonably) aggregate payments by the Issuer thereunder during the term of such contract are or would be in excess of $5,000,000 (that, for greater certainty, is not otherwise captured in clauses (i) and (ii) above).

The Limited Guarantee shall apply to all Certified Primary Obligations that meet the following adherence conditions:

(a) the Certified Primary Obligation when incurred is an Obligation Secured under the Master Trust Indenture;

(b) OPG, as Financial Services Manager, delivers a certificate to the Indenture Trustee on or before the incurrence of such obligation certifying, among other things, that OPG has delivered a certificate to the Province of Ontario confirming that OPG has complied with all of its obligations to the Province of Ontario and internal requirements and processes in connection with the adherence of the Limited Guarantee to the Certified Primary Obligation (an "**Adherence Compliance Certificate**"); and

(c) the Province of Ontario has not provided a Suspension Notice to the Indenture Trustee, OPG and the Issuer.

All Senior Notes shall constitute Obligations Secured under the Master Trust Indenture and therefore condition (a) above will be satisfied for all Offerings of Senior Notes. It will be a condition to any Offering of Senior Notes that OPG deliver the adherence certificate required pursuant to (b) above or that the Province of Ontario designates in writing that the Senior Notes are Approved Obligations. The Change of Law Protection Agreement provides that delivery of an adherence certificate shall be determinative of satisfaction of this adherence condition, notwithstanding that such certificate may include inaccuracies, be incomplete or otherwise be defective or deficient, and such certificate may be relied upon as conclusive evidence of same.

Suspension Notice & Post-Suspension Refinancings

The Change of Law Protection Agreement will remain in full force and effect until the indefeasible payment, observance and performance in full of the Approved Obligations.

However, in the following limited circumstances, the Province of Ontario may deliver a written notice (a "**Suspension Notice**") to the Indenture Trustee, the Financial Services Manager and the Issuer:

(a) an acceleration of Funding Obligations in accordance with the provisions of the Master Trust Indenture or an event of default, early amortization event, termination event or similar event or circumstance (including any event that with the passage of time or the giving of notice would become such an event) of or in respect of the obligations of any party under any Program Agreement;

(b) a default in the performance, or breach, of any covenants of OPG, as Financial Services Manager, or OPG, in its corporate capacity, in each case to the Province of Ontario in connection with its obligations to the Province of Ontario pursuant to internal requirements and processes in connection with the provision or adherence of the Limited Guarantee to or in respect of any Certified Primary Obligation and the expiration of any applicable cure period;

(c) a representation or warranty made by OPG or a certification made by one or more officers of OPG, in each case whether as Financial Services Manager or in its corporate capacity, to the Province of Ontario in connection with its obligations to the Province of Ontario and its internal requirements and processes in connection with the provision or adherence of the Limited Guarantee to or in respect of any Certified Primary Obligations, proves to be incorrect in any material respect on the date made and the expiration of any applicable cure period; or

(d) the Financial Services Manager no longer being the Manager or actions having been taken by or on behalf of the Indenture Trustee to remove the Financial Services Manager as the Manager;

If a Suspension Notice has been provided under the Change of Law Protection Agreement (the provision of such notice being a "**Suspension Event**"), the Limited Guarantee shall not apply in respect of: (i) any Primary Obligation incurred, excluding any Post-Suspension Refinancing, or (ii) any amendment of any Primary Obligation that has a Material Effect, unless otherwise agreed to by the Province of Ontario, in each case, on or after the time such Suspension Notice is delivered.

Following the occurrence of a Suspension Event, the Limited Guarantee shall continue to apply in respect of any Post-Suspension Refinancing; provided that prior to the Financing Entity incurring any Primary Obligation constituting a Post-Suspension Refinancing, the Manager shall provide the Province of Ontario with at least 30 days' notice of its intention to seek a Post-Suspension Refinancing and during such 30-day period the Province of Ontario may, but is not obligated to, offer to fund such Post-Suspension Refinancing or arrange for another Person to fund such Post-Suspension Refinancing on the same terms as set out in the notice or on such other terms as may be considered by the Province of Ontario to be not more onerous on the Financing Entity and that are acceptable on that basis to the Financing Entity, acting reasonably.

A "**Post-Suspension Refinancing**" means a Funding Obligation that is an Obligation Secured and that is incurred on or after the occurrence of a Suspension Event in compliance with the requirements of the Change of Law Protection Agreement, as a Refinancing of one or more Series of Approved Obligations (including any Pre-Approved Refinancing incurred on or after the occurrence of a Suspension Event), in each case the proceeds of which, together with any other funds that may be available, are used solely for the purpose of paying in full such Series of Approved Obligations and any costs and expenses associated with such Refinancing.

A "**Pre-Approved Refinancing**" means a Refinancing of a Certified Primary Obligation in respect of which the Province of Ontario has, prior to the incurrence of such Certified Primary Obligation, agreed shall be an Approved Obligation, subject to compliance with such conditions and requirements as may be specified in such agreement.

A "**Material Effect**" means a material adverse effect on the obligations or the rights of the Province of Ontario under the Limited Guarantee that relates to, and in each case, differs in any material respect from the terms or conditions applicable to any transaction document which was previously provided to the Province of Ontario, the following: (i) the timing of or circumstances under which Primary Obligations would or may become due or accrue (including as a result of any default, acceleration, termination, wind-up, liquidation or realization) that, in each case, is inconsistent with the Fair Allocation Amount; (ii) the appointment, obligations or duties of OPG as the Manager; (iii) the existence, powers or authority of the Issuer or the Issuer Trustee; (iv) the obligations of the Indenture Trustee to or in respect of the Province of Ontario as a Specified Creditor; (v) the payment provisions and associated priorities set forth in the Master Trust Indenture; (vi) compliance by the Financial Services Manager with the then applicable Financing Plan; (vii) compliance by the Financial Services Manager or the Issuer with the FHPA or the Regulations; or (viii) the Province of Ontario's rights of subrogation or assignment or its interests as a subrogee or an assignee, that would arise as a result of performing the Limited Guarantee in respect of the applicable Primary Obligation.

Accordingly, notwithstanding delivery of a Suspension Notice, the Limited Guarantee shall continue to apply to: (i) any Approved Obligations that were incurred prior to the Suspension Event and (ii) any Funding Obligations incurred by the Issuer following a Suspension Event if the terms and conditions of the Change of Law Protection Agreement are satisfied and the proceeds of such incurrence are to be used for the purpose of repaying one or more series of Approved Obligations. Accordingly, subject to compliance with the Change of Law Protection Agreement, any Senior Notes or other Funding Obligations that may be issued following a Suspension Event to refinance Senior Notes that were Approved Obligations issued prior to a Suspension Event will continue to have the benefit of the Limited Guarantee.

THE ISSUER

The Issuer is an unincorporated open-ended unit trust governed by the laws of the Province of Ontario pursuant to a declaration of trust made December 20, 2017 (the "**Declaration of Trust**"). Computershare Trust Company of Canada (the "**Issuer Trustee**") is the sole trustee of the Issuer, which is a Financing Entity established to incur Funding Obligations for the purpose of acquiring Investment Interests pursuant to the FHPA. The principal business address and head office of the Issuer is in Ontario, in the care of the Issuer Trustee at the following address: 100 University Avenue, 11th Floor, Toronto, Ontario M5J 2Y1.

The following brief summary of certain provisions of the Declaration of Trust does not purport to be comprehensive or definitive. All references in this confidential shelf offering memorandum to the Declaration of Trust are qualified in their entirety by reference to the Declaration of Trust and the detailed provisions thereof. The Declaration of Trust may be reviewed at the principal office of the Issuer Trustee in Toronto, Ontario during normal business hours while any Senior Notes are outstanding.

The Declaration of Trust establishes the Issuer to carry on activities for the exclusive benefit of its unitholders, FHP2017 Inc., a wholly-owned subsidiary of OPG, and BNY Trust Company of Canada, the Indenture Trustee under the Master Trust Indenture (collectively, the "**Unitholders**"). The beneficial interest and rights generally of the Unitholders in the Issuer are limited to the right to participate in distributions when and as declared by the Issuer Trustee and distributions upon the termination of the Issuer. The legal ownership of the trust property and the right to conduct the activities of the Issuer are vested exclusively in the Issuer Trustee and no Unitholder has any right of ownership in any of the trust property. Except in limited circumstances provided in the Declaration of Trust, no Unitholder is entitled to interfere with or give any direction to the Issuer Trustee with respect to the affairs of the Issuer or in connection with the exercise of any powers or authorities conferred upon the Issuer Trustee under the Declaration of Trust. The Issuer Trustee will generally have, free from any power or control on the part of the Unitholders, full authority over the trust property and the activities of the Issuer to the same extent as if the Issuer Trustee were the sole and absolute owner thereof. The Unitholders will also not be subject to any liability arising out of the activities of the Issuer.

The Issuer Trustee, on behalf of the Issuer, has entered into a management agreement with OPG, as Manager, whereby all of the powers and duties of managing the Issuer have been delegated to the Manager. See *"The Manager."*

The permitted activities of the Issuer are limited to:

(a) acquiring, owning, holding, administering or entering into agreements regarding the acquisition and servicing of Investment Interests, along with certain other related assets;

(b) managing, selling, assigning, pledging and collecting amounts due on or otherwise dealing with Investment Interests and certain other related assets in accordance with the terms of the Program Agreements;

(c) negotiating, authorizing, executing, delivering, assuming the obligations under and performing its duties under the Program Agreements;

(d) filing with any applicable securities commission one or more prospectuses, offering memoranda, registration statements or documents necessary or desirable to register one or more series of Funding Obligations under the securities laws of any applicable jurisdiction;

(e) authorizing, executing, delivering, issuing and registering one or more series of Funding Obligations;

(f) making payments on Funding Obligations;

(g) pledging its interest in Investment Interests and related assets to the Indenture Trustee in order to secure Funding Obligations; and

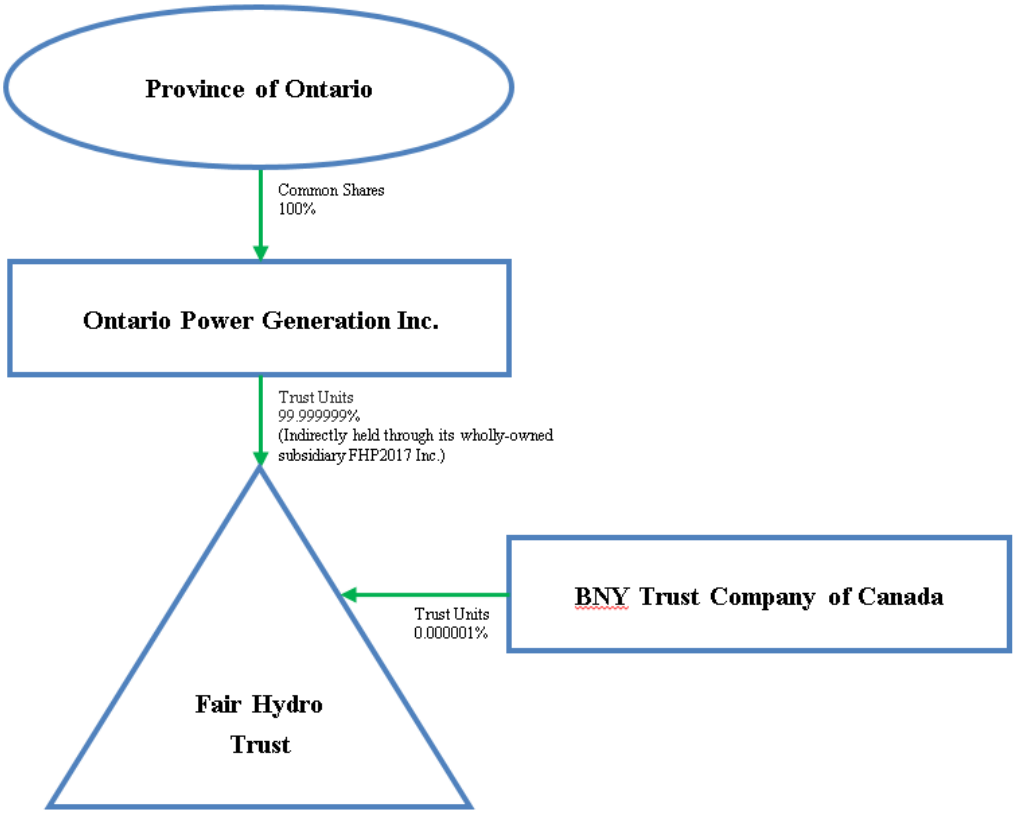
(h) engaging in any lawful act or activity that is incidental to the above-mentioned purposes.

The Issuer Trustee may amend the Declaration of Trust under specified circumstances without the consent of Unitholders provided (i) the amendment will not materially adversely affect the interest of any Unitholder, unless that Unitholder has approved of the amendment in writing, and (ii) in respect of any material amendment, the Rating Agency Condition has been satisfied. The Issuer Trustee is required to provide the Rating Agencies and the Indenture Trustee with a copy of any amendment, variation, supplement, replacement or restatement of the Declaration of Trust.

The consent of the Indenture Trustee, in addition to all other Unitholders, will be required to wind up the Issuer or voluntarily institute or consent to insolvency proceedings against the Issuer while any Funding Obligations remain outstanding. The Issuer Trustee may be removed by the Unitholders at any time by notice in writing delivered to the Issuer Trustee not less than 90 days prior to the date such removal is to take effect. The Issuer Trustee may also be removed by the Unitholders with no prior written notice if it becomes bankrupt or insolvent or it is unable to exercise its duties under the Declaration of Trust. The Issuer Trustee may resign on 120 days' prior written notice to the Unitholders, the Indenture Trustee and the Rating Agencies. No such resignation will be effective until a replacement issuer trustee acceptable to the Unitholders and the Indenture Trustee has been appointed and the Rating Agency Condition has been satisfied.

Each of the Issuer Trustee and its directors, officers, agents, representatives and employees will be indemnified from and against all claims (including any claim arising out of the assessment of any tax on income by a taxing authority), demands, levies, penalties, suits, losses, actions, causes of action, costs, charges, fees and expenses, damages and liabilities whatsoever arising out of, among other things, any action or omission in relation to the execution of the duties of the Issuer Trustee or in relation to the trust property or the activities of the Issuer, except, in each case, for wilful misconduct, gross negligence or failure to comply with the standard of care established by the Declaration of Trust.

The following diagram illustrates the structure of the Issuer and its affiliates.



THE MANAGER

OPG has entered into a management agreement with the Issuer dated as of December 20, 2017 (the "**Management Agreement**") pursuant to which the Issuer has delegated to OPG, as Manager, all of the powers and duties of managing the Issuer. The following brief summary of certain provisions of the Management Agreement does not purport to be comprehensive or definitive. All references in this confidential shelf offering memorandum to the Management Agreement are qualified in their entirety by reference to the Management Agreement and the detailed provisions thereof. The Management Agreement may be reviewed at the principal office of the Issuer Trustee in Toronto, Ontario during normal business hours while any Senior Notes are outstanding.

The powers and duties delegated to the Manager under the Management Agreement include, among others:

(a) negotiating and executing, on behalf of the Issuer, the Program Agreements;

(b) maintaining accounts and banking records;

(c) enforcing the rights of the Issuer under the Program Agreements and the FHPA;

(d) determining, in accordance with the Financing Plan, when it is appropriate for the Issuer to incur Funding Obligations;

(e) ensuring that all Primary Obligations of the Issuer are and remain Approved Obligations;

(f) administering all activities of the Issuer in connection with the issuance, sale, payment, repurchase and redemption of the Issuer's Funding Obligations;

(g) preparing, in accordance with applicable securities laws, any offering documents to be furnished by the Issuer to prospective purchasers of Funding Obligations, including the Senior Notes, and ensuring that all statements of the Issuer made therein are at all times true and correct in all material respects;

(h) arranging for compliance by the Issuer with any continuous disclosure obligations;

(i) arranging for the retention of legal counsel, accountants and an auditor for the Issuer;

(j) preparing financial statements and paying taxes on behalf of the Issuer;

(k) preparing a monthly portfolio report setting out information regarding incoming and outgoing cash flows; and

(l) providing such other services as are incidental to the foregoing or as may be agreed upon between the Issuer and the Manager.

The Manager is also required to work with the IESO to develop, on or before January 31, 2020, a written implementation plan identifying the actions to be taken by the IESO and the Issuer to facilitate the OEB, the Issuer, the IESO and Electricity Vendors being prepared to perform their obligations under the FHPA and the Regulations when setting, invoicing and collecting the Clean Energy Adjustment. The Manager will deliver written progress reports to the Issuer and the Indenture Trustee on the status of the implementation plan on or before June 30, 2020, October 31, 2020 and January 31, 2021.

Following the Moratorium Period, the Manager will review a monthly servicer report required to be delivered to the Issuer by the IESO under the Master Transfer and Servicing Agreement and make commercially reasonable efforts to resolve any Electricity Vendor failures or discrepancies identified in such report that have not been remedied or adequately explained by Electricity Vendors. The Manager is obligated to institute any proceedings necessary to compel performance by Electricity Vendors of any obligations or duties under the FHPA and the Regulations, including with respect to the invoicing, collection and remittance of Clean Energy Adjustment amounts. Commencing May 1, 2021 and pursuant to its rights under the Regulations, [47] the Manager shall review, or cause to be reviewed, on an annual basis, or less frequently as may be determined by the Manager and subject to satisfaction of the Rating Agency Condition, the records maintained by Electricity Vendors with respect to the Clean Energy Adjustment and if there is evidence of material non-compliance by an Electricity Vendor, the Manager will promptly review or cause to be reviewed the records of such Electricity Vendor.

The Manager is obligated to perform its duties under the Management Agreement diligently and in conformity with the Issuer's obligations under each of the Program Agreements and with the FHPA and the Regulations, as applicable, and honestly, in good faith and in the best interest of the Issuer. The Manager must exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

In addition to the powers and duties delegated to OPG pursuant to the Management Agreement, OPG has also agreed to comply with its duties under the FHPA in its capacity as Financial Services Manager, including:

(a) preparing the Financing Plan to evaluate whether potential Funding Obligations should be incurred by Financing Entities for the purposes of acquiring Investment Interests in accordance with the FHPA or for the purposes of a Refinancing;

(b) determining the amounts of the Clean Energy Adjustment, inclusive of any True-up Amount;

(c) calculating the True-up Amount;

[47] Please confirm the source of the right to review electricity vendor records under the Regulations. If this refers to Section 10(4) of the General Regulation, the right is that of the Issuer or the FSM.

(d) notifying the OEB of the Clean Energy Adjustment, inclusive of any True-up Amount;

(e) administering the Investment Interests on behalf of Financing Entities in accordance with the Program Agreements;

(f) ensuring that Funding Obligations are incurred in a manner that is consistent with the Financing Plan; and

(g) establishing and charging fees for the services provided under the Management Agreement.

Subject to OEB approval and the Regulations, OPG is entitled to charge the Issuer a fee, comprised of a base fee and a variable fee, to earn a return and to recover costs and expenditures incurred by OPG on behalf of the Issuer or in relation to the establishment, management and administration of the Issuer and its Investment Interest. The priority of the Manager's entitlement to fees is subject to the payment priorities set forth in the Master Trust Indenture.

The Manager is not entitled to resign from its duties or terminate the Management Agreement as long as Funding Obligations remain outstanding. The Manager may be terminated by the Issuer Trustee, with the consent of the Indenture Trustee, or by the Indenture Trustee in accordance with the Master Trust Indenture. No termination of the Manager will be effective until a replacement manager that satisfies the Rating Agency Condition has been approved and has entered into a management agreement with the Issuer whereby the replacement manager agrees to assume, in substance, the obligations of the Manager under the Management Agreement. If the Manager ceases to perform, or inadequately performs, its management duties under the Management Agreement, it might be difficult to find a replacement for the Manager or a successor manager. See "*Risk Factors − Payments on the Senior Notes depend on the performance of OPG as Financial Services Manager and Manager of the Issuer.*"

The Manager shall provide to the Issuer Trustee an annual certificate confirming compliance with certain matters, including: (i) accurate maintenance of the books and records of the Issuer; (ii) all debt obligations and expenses due and payable by the Issuer have been paid to date; (iii) all required filings with tax and regulatory authorities have been completed to date; and (iv) all material statements and reports to be delivered by the Issuer under the Program Agreements have been delivered and all material statements and reports to be received by the Issuer under the Program Agreements have been received.

The Manager indemnifies the Issuer under the Management Agreement for any losses incurred by the Issuer as a result of the failure of the Manager to perform its obligations under the Management Agreement or any breach by the Manager of its representations and warranties under the Management Agreement or any other Program Agreement to which it is a party, except to the extent such losses result from the willful misconduct, bad faith or gross negligence of the Issuer. Notwithstanding the foregoing, the Manager is not obligated to indemnify the Issuer under the Management Agreement for any losses resulting from: (i) a breach or failure to perform by a third party under any Program Agreement, the FHPA or the Regulations (excluding any delegation by the Manager under the Management Agreement to a third party); (ii) changes in law, (iii) the validity or applicability of the Change of Law Protection Agreement; (iv) the collectability or sufficiency of the Clean Energy Adjustment or Carrying Costs to satisfy the Issuer Funding Obligations, including the Senior Notes; or (v) any liability of the Issuer incurred after termination of the Management Agreement unless attributable to the actions or omissions of the Manager prior to such termination or in respect of a representation, warranty or covenant that survives such termination.

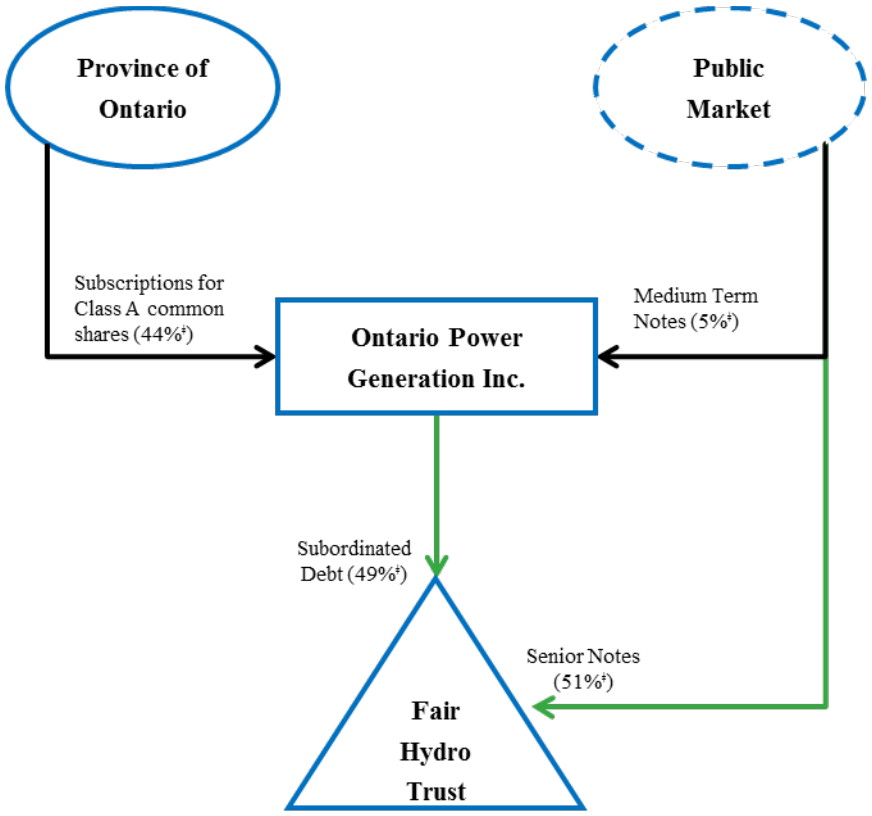
SUBORDINATED DEBT

Concurrent with every issuance of senior debt by the Issuer, including any Offering of Senior Notes, it is expected that OPG will subscribe for subordinated debt and junior subordinated debt of the Issuer in an amount of no more than 49% of all of the Issuer's Funding Obligations, approximately 44% of which is expected to be funded through equity investments in OPG by the Province of Ontario with the remaining approximate 5% being funded from OPG's available funds, including all or a portion of the proceeds of any offerings by OPG of medium term notes).

Under the Master Trust Indenture, the Issuer will be required at all times to ensure that: (i) the aggregate outstanding principal amount of all subordinated debt and junior subordinated debt be equal to not less than 35% of the aggregate outstanding principal amount of all of the Issuer's Funding Obligations; and (ii) the aggregate outstanding principal amount of all junior subordinated debt be equal to not less than 10% of the aggregate outstanding principal amount of all of the Issuer's Funding Obligations.

The Issuer is structured to be bankruptcy remote from OPG insofar as none of OPG, its subsidiaries or holders of its indebtedness will have any recourse whatsoever against the Issuer or its assets other than OPG's rights and remedies as a holder of subordinated debt of the Issuer in accordance with the provisions of that indebtedness. From an accounting perspective, however, the Issuer will be consolidated with OPG.

The following diagram illustrates the expected structure of OPG's investments in subordinated debt of the Issuer.



‡ OPG will acquire up to 49% of the Issuer's outstanding debt in the form of subordinated debt. Actual amounts may vary if OPG acquires less than 49% of the Issuer's outstanding debt.

SHORT TERM INDEBTEDNESS

On December 21, 2017, the Issuer entered into the following supplemental indentures under the Master Trust Indenture for the provision of an aggregate of approximately $1.56 billion in short term indebtedness (collectively, the "**Warehouse Facilities**"), of which a total of $1.179 billion is drawn as of the date hereof:

(i) a warehouse senior series 2017-1 supplemental indenture with, among others, Royal Bank of Canada, as administrative agent for certain commercial paper conduit purchasers and financial institutions named therein, for the provision of an aggregate maximum principal amount of $800,000,000 floating rate variable funding Senior Notes, Series 2017-1 ("**Senior Notes, Series 2017-1**"), of which $601,290,000 is drawn;

(ii) a warehouse subordinated series 2017-1 supplemental indenture with, among others, OPG for the provision of an aggregate maximum principal amount of $611,764,705.88 floating rate variable funding Subordinated Notes, Series 2017-1 ("**Subordinated Notes, Series 2017-1**"), of which $459,810,000 is drawn; and

(iii) a warehouse junior subordinated series 2017-1 supplemental indenture with, among others, OPG for the provision of an aggregate maximum principal amount of $156,862,745.10 floating rate variable funding Junior Subordinated Notes, Series 2017-1 ("**Junior Subordinated Notes, Series 2017-1**"), of which $117,900,000 is drawn.

The issuance of Senior Notes, Series 2017-1, Subordinated Notes, Series 2017-1 and Junior Subordinated Notes, Series 2017-1 under the Warehouse Facilities described above were used to acquire a $1.179 billion Investment Interest from the IESO on December 21, 2017.

THE TRANSFEROR AND SERVICER

The IESO has entered into a master transfer and servicing agreement with the Issuer dated as of December 21, 2017 (the "**Master Transfer and Servicing Agreement**") pursuant to which the IESO may periodically transfer specified portions of the Regulatory Asset to the Issuer. Additional information regarding the IESO, including its most recently published financial statements, is available at www.ieso.ca. Such information does not form part of this confidential shelf offering memorandum and neither the Issuer nor the Agents guarantee the accuracy of such information or has independently verified the accuracy or completeness of any such information or to determine if there has been any omission by the IESO to disclose any facts, information or events which may affect the significance or accuracy of any such financial statements or other information.

The following brief summary of certain provisions of the Master Transfer and Servicing Agreement does not purport to be comprehensive or definitive. All references in this confidential shelf offering memorandum to the Master Transfer and Servicing Agreement are qualified in their entirety by reference to the Master Transfer and Servicing Agreement and the detailed provisions thereof. The Master Transfer and Servicing Agreement may be reviewed at the principal office of the Issuer Trustee in Toronto, Ontario during normal business hours while any Senior Notes are outstanding.

Under the Master Transfer and Servicing Agreement, the IESO may offer, no more frequently than monthly, to transfer to the Issuer its right, title and interest in, to and under a specified portion of the Regulatory Asset. The Issuer has the right, but not the obligation, to accept the IESO's offer. The IESO is responsible for servicing the Issuer's Investment Interest in accordance with the Regulations and the Master Transfer and Servicing Agreement. Its responsibilities including, among others:

(a) establishing a segregated account to be used for the sole purpose of collecting the Clean Energy Adjustment in respect of the Issuer's Investment Interest and making commercially reasonable efforts to cause Electricity Vendors to do the same;

(b) making commercially reasonable efforts to cause each Electricity Vendor to establish procedures for the invoicing of amounts in respect of the Clean Energy Adjustment;

(c) responding to inquiries by Electricity Vendors with respect to the Clean Energy Adjustment and amounts payable in respect thereof;

(d) reviewing reports submitted to the IESO by Electricity Vendors regarding the collection of Clean Energy Adjustment amounts for material manifest discrepancies;

(e) contacting Electricity Vendors on the occurrence of certain events;

(f) holding Clean Energy Adjustment amounts collected in respect of the Issuer's Investment Interest in trust for the benefit of the Issuer and remitting such amounts to the Issuer on a monthly basis, subject to daily remittance being required in certain limited circumstances;

(g) together with the Issuer, settling a form of monthly servicer report to be provided to the Issuer; and

(h) forecasting the electricity consumption of Specified Consumers and providing such forecast information to the OEB and the Issuer.

While the IESO provides no guarantee that collections of the Clean Energy Adjustment from Electricity Vendors will equal amounts invoiced or that the Clean Energy Adjustment amounts will be sufficient to satisfy the Issuer's Funding Obligations, the IESO must follow standards, policies and procedures in performing its servicing duties that are customary for an electricity market operator and administrator that regularly performs settlement functions.

The IESO is required to work with the Manager to develop, on or before January 31, 2020, a written implementation plan identifying the actions to be taken by the IESO and the Issuer to facilitate the OEB, the Issuer, the IESO and Electricity Vendors being prepared to perform their obligations under the FHPA and the Regulations when setting, invoicing and collecting Clean Energy Adjustment amounts. The IESO and the Manager will deliver to the Issuer written progress reports on the status of the implementation plan on or before June 30, 2020, October 31, 2020 and January 31, 2021. The IESO is also required to work with the Issuer to settle a form of monthly servicer report, which will be provided to the Manager on or before the 20th business day after the end of each month in which Clean Energy Adjustment amounts are collected by Electricity Vendors from Specified Consumers, and which report is expected to contain available information regarding the Clean Energy Adjustment amounts billed, collected and remitted by Electricity Vendors, actual electricity consumption compared to forecast electricity consumption and such other information as may be agreed to by the IESO.

Generally, all servicing duties provided by the IESO to the Issuer are provided at no cost to the Issuer.[48] However, the Issuer will reimburse the IESO for its direct costs relating to the performance by the IESO of its duties and obligations under the Master Transfer and Servicing Agreement that are not otherwise recovered by the IESO under the *Electricity Act, 1998* (Ontario), excluding any costs relating to the performance of the IESO's duties and obligations under the FHPA or the Regulations, including its obligation to pay the Issuer's Carrying Costs.

During the Moratorium Period and extending to July 31, 2021, the IESO, which is rated A(high) by DBRS and Aa2 by Moody's is required under the Regulations to pay and remit to the Issuer amounts charged to the IESO by the Issuer in respect of its Carrying Costs. Under the Regulations, Carrying Costs include all funding costs, such as interest on the Senior Notes, and other expenses of the Issuer, other than repayment of principal on any debt obligations of the Issuer, including repayment of principal on the Senior Notes.[49] Pursuant to the Master Transfer and Servicing Agreement, on or before the fourth business day of each calendar month, the Issuer will submit a carrying costs statement to the IESO certifying the amount of Carrying Costs estimated to be incurred by the Issuer in the following month. On or before the 14th business day following receipt of the Issuer's carry costs statement, the IESO is required to deliver the amount specified therein to the Issuer. The IESO has a $2 billion unsecured credit facility provided by the Ontario Financing Authority, expiring ■, 20■, which is permitted to be used to pay the Issuer's Carrying Costs.

As security for the performance of its obligation to pay the Issuer's Carrying Costs, the IESO has granted the Issuer a first-priority security interest in all of its accounts receivable, which includes the amounts receivable by the IESO with respect to the global adjustment charge. The amounts paid by the IESO to fund these Carrying Costs will be recorded by the IESO in a variance account and form part of the Regulatory Asset which is expected to be offered by the IESO for transfer to the Issuer in a subsequent period and, upon completion of such transfer, shall become part of the Issuer's Investment Interest pursuant to the Regulations.

As security for any failure of Non-Investment Grade Rated Electricity Vendors to remit Clean Energy Adjustment amounts collected under the FHPA, the IESO is required, pursuant to the Master Transfer and Servicing Agreement, to provide to the Issuer on or prior to the first day of the first billing period when the Clean Energy

[48] **Note:** Please confirm.

[49] **Note:** Consider a description of "carrying costs" that conforms to the definition set out in Section 9.1(3) of the General Regulation. Also note that the Glossary defines "Carrying Costs" as having the meaning ascribed to the term in the Regulations.

Adjustment is being invoiced to Specified Consumers, a letter of credit from a provider that satisfies the Rating Agency Condition or a performance guarantee or such other form of security that is acceptable to the Issuer and that satisfies the Rating Agency Condition. A "**Non-Investment Grade Rated Electricity Vendor**" means any Electricity Vendor that does not have a rating of: (i) "Baa3" or higher by Moody's, unless otherwise agreed to by Moody's; and (ii) "BBB(low)" or higher by DBRS, unless otherwise agreed to by DBRS.

The amount of security required from the IESO will be calculated on an annual basis and will be equal to the amount determined by the following formula:

((A / B) x C x D / 365 x E)

where A, B, C, D and E are as follows:

A = for the most recently completed twelve-month period, the aggregate amount of energy consumed by Specified Consumers of all Non-Investment Grade Rated Electricity Vendors.

B = for the same twelve-month period used for A, the aggregate amount of energy consumed by all Specified Consumers.

C = for the most current twelve-month forecast period available, the Clean Energy Adjustment amounts estimated to be payable by all Specified Consumers.

D = 45, representing the estimated number of days that total Clean Energy Adjustment amounts are expected to be held by Electricity Vendors.

E = 0.50 or another value as mutually agreed to in writing by the Issuer and the IESO and that satisfies the Rating Agency Condition.

The Master Transfer and Servicing Agreement sets out specific servicer defaults. Upon the occurrence of a servicer default, the Issuer will be entitled to appoint a replacement servicer that will perform the IESO's duties as servicer under the Master Transfer and Servicing Agreement. Any replacement servicer must be permitted under the FHPA to perform the duties of servicer, the Rating Agency Condition must be satisfied and the replacement servicer must enter into a master transfer and servicing agreement with the Issuer having substantially the same terms as the Master Transfer and Servicing Agreement.

The IESO has agreed to indemnify the Issuer for any losses incurred by the Issuer as a result of the failure of the IESO to perform its obligations under the Master Transfer and Servicing Agreement or any other Program Agreement to which it is a party or the breach by the IESO of any of its representations or warranties under the Master Transfer and Servicing Agreement or any other Program Agreement to which the IESO is a party, except to the extent such losses result from the willful misconduct, bad faith or gross negligence of the Issuer. Notwithstanding the foregoing, the IESO is not obligated to indemnify the Issuer under the Master Transfer and Servicing Agreement for any losses resulting from: (i) a breach or failure to perform by a third party under any Program Agreement, the FHPA or the Regulations (excluding any delegation by the IESO under the Master Transfer and Servicing Agreement to a third party); (ii) changes in law, (iii) the collectability or sufficiency of the Clean Energy Adjustment to satisfy the Issuer's Funding Obligations, including the Senior Notes; or (iv) any liability of the Issuer incurred after termination of the Master Transfer and Servicing Agreement unless attributable to the actions or omissions of the IESO prior to such termination or in respect of a representation, warranty or covenant that survives such termination.

CREDIT RATINGS

Credit ratings are intended to provide investors with an independent measure of the credit quality of securities and are indicators of the likelihood of the payment capacity and willingness of an issuer to meet its financial commitment on an obligation in accordance with the terms of such obligation. The credit ratings accorded to the Senior Notes are not recommendations to purchase, hold or sell such securities inasmuch as such ratings are not a comment upon the market price of the securities or their suitability for a particular investor. There is no

assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

The Term Sheet for each Offering will identify the rating of the applicable Senior Notes at the time of such Offering.

RATING AGENCY CONDITION

The Program Agreements provide that certain actions are subject to the "**Rating Agency Condition**". In each such case, satisfaction of the Rating Agency Condition requires: (a) that the Issuer has delivered written notice of the proposed action to the Rating Agencies at least ten business days prior to the effective date of such action; and (b) that the Rating Agencies shall have informed the Issuer prior to the effective date of such action that such action will not result in the reduction or withdrawal of the rating in effect with respect to the Notes immediately before the taking of such action. If the Rating Agency Condition is to be satisfied without specifying one or more specific Series or Tranches of Notes, the Rating Agency Condition must be satisfied with respect to all outstanding Series or Tranches of Notes.

CAPITAL MARKETS PLATFORM

The Financial Services Manager has developed a Financing Plan for the Issuer which encompasses an ongoing program which allows for the issuance of a variety of short and long term debt, as well as interest rate and currency swaps and other hedging instruments.

The Master Trust Indenture establishes common security and a set of common covenants given by the Issuer for the benefit of all of its creditors. Notes are issued under Supplemental Indentures and in certain cases, Terms Documents. Borrowings are incurred pursuant to liquidity agreements or loan agreements. Notes and Borrowings incurred by the Issuer are Issuer Funding Obligations. Each Issuer Funding Obligation will be part of a Class and Series of Issuer Funding Obligations, and may include one or more Tranches. A Class designation determines the relative seniority for receipt of cash flows. See "*— Subordination Provisions*", "*— Payment Waterfalls Prior to Acceleration*" and "*— Acceleration and Remedies — Payment Waterfall Upon Acceleration*". Tranches of Issuer Funding Obligations may differ from each other as to the interest rate, maturity and the timing, sequential order and amount of payments of principal or interest, or both.

The following summary of the principal provisions contained in the Master Trust Indenture does not purport to be comprehensive or definitive. This overview summarizes certain provisions of the Master Trust Indenture and omits descriptions of many provisions which may be considered to be of a customary nature. All references in this confidential shelf offering memorandum to the Master Trust Indenture are qualified in their entirety by reference to the Master Trust Indenture and the detailed provisions thereof. The Master Trust Indenture may be reviewed at the principal office of the Issuer Trustee in Toronto, Ontario during normal business hours while any Notes are outstanding.

Indenture Trustee

BNY Trust Company of Canada, a trust company governed by the laws of Canada, is the Indenture Trustee under the Master Trust Indenture.

Under the terms of the Master Trust Indenture, the Issuer has agreed to pay the Indenture Trustee reasonable compensation for the performance of its duties under the Master Trust Indenture. The Indenture Trustee has agreed to perform only those duties expressly set forth in the Master Trust Indenture. Many of the duties of the Indenture Trustee are described throughout this confidential shelf offering memorandum. Under the terms of the Master Trust Indenture, the Indenture Trustee's limited responsibilities include the following:

- to authenticate, deliver, cancel and otherwise administer the Notes;
- to serve as the registrar in respect of the Notes;

- to establish and maintain all Issuer Accounts and to maintain accurate records of activity in those accounts;

- to serve as the Paying Agent and distribute and transfer funds at the direction of the Manager in accordance with the terms of the Master Trust Indenture;

- to invest funds in the Issuer Accounts at the direction of the Manager (or its agent);

- to deliver to Specified Creditors notice of any Default, Event of Default, Acceleration Event, Protection Event or Servicer Default of which it has received notice, as required under the Master Trust Indenture; and

- to perform certain other administrative functions identified in the Master Trust Indenture.

In the exercise of its duties, the Indenture Trustee will use the same degree of care and skill as a reasonably prudent person would use in comparable circumstances. When all Issuer Funding Obligations have been satisfied and discharged (see "*— Satisfaction and Discharge*"), the Indenture Trustee will no longer act as Indenture Trustee and will have no fiduciary responsibilities to any remaining Specified Creditors and will act only as security agent for those remaining Specified Creditors. The Indenture Trustee is not liable for any errors of judgment as long as the errors are made in good faith and the Indenture Trustee was not negligent. Furthermore, the Indenture Trustee will not be liable for any action taken or not taken by it in good faith if directed to do so by Extraordinary Resolution. The Indenture Trustee is not required to expend or risk its own funds, or incur any financial liability in the exercise of its duties under the Master Trust Indenture and it will not be obliged to exercise any of its rights under the Master Trust Indenture at the request of any Controlling Class Creditor unless such Controlling Class Creditor has provided it with security or an indemnity reasonably satisfactory to it.

In addition to the Indenture Trustee's compensation and the reimbursement of the Indenture Trustee's expenses in connection with the Master Trust Indenture, the Issuer will indemnify the Indenture Trustee for any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the administration of the trusts under the Master Trust Indenture. The payment of all such amounts will be subject to the payment waterfalls set out in the Master Trust Indenture and in certain instances, such amounts will be higher in priority than payments to Noteholders. See "*— Payment Waterfalls Prior to Acceleration — Collection Account*", "*— Payment Waterfalls Prior to Acceleration — Protection Account*" and "*— Acceleration and Remedies — Payment Waterfall Upon Acceleration*".

The Indenture Trustee may resign at any time by giving written notice to the Issuer and it may be removed for any reason by Ordinary Resolution of Controlling Class Creditors. The Indenture Trustee must resign if a material conflict of interest arises in its role as an Indenture Trustee under the Master Trust Indenture and such conflict of interest is not eliminated within 90 days after the Indenture Trustee becomes aware of such material conflict of interest. The Issuer may remove, or any Controlling Class Creditor who has been a *bona fide* Controlling Class Creditor for at least six months may, on behalf of itself and all other Debtholders, petition any court of competent jurisdiction for the removal of the Indenture Trustee if (i) the Indenture Trustee is no longer eligible to act as trustee under the Master Trust Indenture (and any Supplemental Indenture) and fails to resign after it has received a written request to do so by the Issuer or by any Controlling Class Creditor, (ii) the Indenture Trustee becomes incapable of acting, or (iii) the Indenture Trustee becomes subject to any bankruptcy or insolvency related events. In all such circumstances, the Issuer must appoint a successor Indenture Trustee. Any resignation or removal of the Indenture Trustee and appointment of a successor Indenture Trustee will not become effective until the successor Indenture Trustee accepts the appointment. If an instrument of acceptance by a successor Indenture Trustee has not been delivered to the Indenture Trustee within 30 days of giving notice of resignation or removal, the Indenture Trustee may petition a court of competent jurisdiction to appoint a successor Indenture Trustee.

Any successor Indenture Trustee will execute and deliver to the Issuer and its predecessor Indenture Trustee an instrument accepting such appointment. The successor Indenture Trustee must be a bank, a trust company or a corporation organized and doing business under the laws of Canada or of any province or territory thereof, authorized under such laws to carry on a trust business in each of the provinces and territories of Canada. The Issuer

may not, nor may any person directly or indirectly controlling, controlled by, or under common control with the Issuer, serve as Indenture Trustee.

The Indenture Trustee may become the owner or pledgee of Notes and may otherwise deal with the Issuer with the same rights it would have if it were not the Indenture Trustee (subject to its obligation to resign if there is a material conflict).

Conditions Precedent to Incurrence of Obligations Secured

There is no limit on the aggregate amount of indebtedness or other obligations which may be secured under the Master Trust Indenture. However, the Issuer will not be permitted to incur any Issuer Funding Obligations or other obligations unless the Issuer meets the conditions described below under *"— Issuer Funding Obligations"* and *"— Other Obligations Secured"*.

Issuer Funding Obligations

The Issuer may not incur any new Issuer Funding Obligations, or renew or extend any existing Issuer Funding Obligations (in each case, other than Derivative Funding Obligations), unless the conditions described below are met on or prior to the date that the Issuer enters into a definitive agreement in respect of such Issuer Funding Obligations:

(a) the Issuer delivers to the Indenture Trustee and each Rating Agency notice of such incurrence;

(b) the Issuer delivers to the Indenture Trustee and each Rating Agency a certificate to the effect that:

(i) the Issuer reasonably believes that such incurrence will not cause an Adverse Effect; an "**Adverse Effect**" means that such action will at the time of its occurrence (a) result in the occurrence of an Event of Default or any event which with the giving of notice or passage of time, or both, would become an Event of Default, (b) adversely affect the amount or timing of any payment to be made to any Debtholder or Derivative Counterparty pursuant to the Master Trust Indenture or any Program Agreement, (c) materially adversely affect the amount or timing of payments to be made to the Specified Creditors (other than Debtholders and Derivative Counterparties) pursuant to this Indenture or any Program Agreement, or (d) adversely affect the security interest and the rights and remedies of the Indenture Trustee in respect thereof;

(ii) all instruments furnished to the Indenture Trustee conform to the requirements of the Master Trust Indenture and constitute sufficient authority under the Master Trust Indenture for the Indenture Trustee to (A) in the case of an issuance of Notes only, authenticate and deliver such Notes, and (B) in the case of all other Issuer Funding Obligations, execute and deliver the applicable Funding Obligation Agreement;

(iii) in the case of an issuance of Notes only, the form and terms of the Notes have been established in conformity with the provisions of the Master Trust Indenture;

(iv) the incurrence of such Issuer Funding Obligation is consistent in all material respects with the Financing Plan; see *"Ontario Fair Hydro Plan — Fair Allocation Amount and Financing Plan"*;

(v) the conditions set out in clauses (c), (d), (g) and (k) below are met; and

(vi) such other matters as the Indenture Trustee may reasonably request;

(c) the representations and warranties of the Issuer in the Master Trust Indenture are true and correct in all material respects;

(d) the Rating Agency Condition is satisfied with respect to all outstanding Series or Tranches of Issuer Funding Obligations;

(e) the Indenture Trustee receives either:

(i) a certified copy of the instrument whereby the Province of Ontario designated in writing that such Issuer Funding Obligation is an Approved Obligation as contemplated by the Change of Law Protection Agreement; or

(ii) both (A) an Adherence Compliance Certificate addressed to the Indenture Trustee with respect to such Issuer Funding Obligation delivered in accordance with the Change of Law Protection Agreement; and (B) a certificate signed by the Manager certifying that the Province of Ontario has not provided a Suspension Notice;

(f) the Issuer delivers to the Indenture Trustee copies of the applicable Funding Obligation Agreement, including in the case of Notes, a Supplemental Indenture relating to the applicable Series or Tranche of Notes and, if applicable, a Terms Document relating to the applicable Tranche of Notes;

(g) in the case of Senior Funding Obligations only, the Issuer has Subordinated Funding Obligations and Junior Subordinated Funding Obligations in an aggregate outstanding principal amount equal to not less than 35% of the aggregate outstanding principal amount of the aggregate Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations (after giving effect to such incurrence) and in the case of Subordinated Funding Obligations only, the Issuer has Junior Subordinated Funding Obligations in an aggregate outstanding principal amount equal to not less than 10% of the aggregate outstanding principal amount of the aggregate Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations (after giving effect to such incurrence);

(h) except in the case of Notes, the Issuer delivers to the Indenture Trustee an updated list of the Specified Creditors;

(i) each Debtholder in respect of such Issuer Funding Obligation (or an authorized agent on their behalf) has made the acknowledgements and agreements described below under "— *Acknowledgements of Specified Creditors*";

(j) the Change of Law Protection Agreement is in full force and effect against the Province of Ontario or has been replaced with a new agreement that is in form and substance satisfactory to Controlling Class Creditors pursuant to an Ordinary Resolution;

(k) the conditions precedent, if any, specified in the applicable Funding Obligation Agreement are satisfied; and

(l) in the case of an issuance of Notes only:

(i) the Indenture Trustee receives a certificate for the certification and delivery of the Notes and specifying the particulars relating to such Notes;

(ii) in the case of Notes described in section 163(f)(2)(A) of the United States Internal Revenue Code of 1986, if such Notes are not in registered form (including by reason of a book entry system described in section 163(f) of the United States Internal Revenue Code of 1986), then such Notes are described in section 4701(b)(1)(B) of the United States Internal Revenue Code of 1986 and such section will apply to such Notes; and

(iii) in the case of foreign currency Notes, the Issuer appoints one or more Paying Agents in the appropriate countries, if requested by the Indenture Trustee.

Periodic drawdowns under existing Funding Obligation Agreements will not constitute a new incurrence of Issuer Funding Obligations. However, an increase in the aggregate commitment under an existing Funding Obligation Agreement or the issuance of additional Notes of an outstanding Series or Tranche of Notes will constitute a new incurrence of Issuer Funding Obligations.

The Indenture Trustee is not required to and, except as otherwise provided in a Funding Obligation Agreement, the Issuer is not required to, provide prior notice to or obtain the consent of any Debtholder or any other Specified Creditor to issue any Issuer Funding Obligations.

Other Obligations Secured

The Issuer may incur other obligations (including Derivative Funding Obligations) so long as:

(a) the Issuer delivers to the Indenture Trustee a copy of the agreement giving rise to such obligations;

(b) the Issuer delivers to the Indenture Trustee an updated list of the Specified Creditors;

(c) the counterparty to the agreement giving rise to such obligations makes the acknowledgements and agreements described below under "*— Acknowledgements of Specified Creditors*";

(d) if the obligations are Certified Primary Obligations, the Indenture Trustee receives either:

(i) a certified copy of the instrument whereby the Province of Ontario designated in writing that such obligation is an Approved Obligation as contemplated by the Change of Law Protection Agreement; or

(ii) both (A) an Adherence Compliance Certificate addressed to the Indenture Trustee with respect to such obligation delivered in accordance with the Change of Law Protection Agreement; and (B) a certificate signed by the Manager certifying that the Province of Ontario has not provided a Suspension Notice;

provided that, in respect of derivative agreements, the Issuer will provide notice to each Rating Agency of the identity of the Derivative Counterparty and the terms of any applicable master agreement and schedule.

Derivative Agreements

The Issuer may, from time to time, enter into one or more derivative agreements, which would consist of a currency swap or interest rate swap, a cap (obligating a Derivative Counterparty to make payments if a reference rate is greater than a specified rate), a floor (obligating a Derivative Counterparty to make payments if a reference rate is less than a specified rate), or a collar (obligating a Derivative Counterparty to make payments if a reference rate is greater than a specified rate and entitling the Derivative Counterparty to receive payments if the same reference rate is less than a lower specified rate), with various counterparties. In general, the Issuer will receive payments from the Derivative Counterparty in exchange for the Issuer's payments to them, to the extent required under the derivative agreements. Payments received by the Issuer will constitute Available Collections.

Acknowledgements of Specified Creditors

Each Specified Creditor must acknowledge and agree in favour of the Indenture Trustee that it is a Specified Creditor under the Master Trust Indenture and that its entitlements as a Specified Creditor are subject to the provisions applicable to Specified Creditors under the Master Trust Indenture including, without limitation, those described under "*— Indenture Trustee*", "*— Payment Waterfalls Prior to Acceleration*", "*— Debtholder Approvals and Meetings — Access to Debtholder Lists*", "*— Acceleration and Remedies — Payment Waterfall Upon Acceleration*", "*— Acceleration and Remedies — Rights of Specified Creditors*", "*— Acceleration and Remedies — Limited Recourse*" and "*— Acceleration and Remedies — No Petition*".

Subordination Provisions

Under the Master Trust Indenture, the Issuer can issue the following classes of Issuer Funding Obligations: "Senior Funding Obligations", "Subordinated Funding Obligations" or "Junior Subordinated Funding Obligations" (each, a "**Class**"). The payment of interest on Subordinated Funding Obligations shall be subordinate and rank junior to the payment of interest on Senior Funding Obligations and Derivative Funding Obligations. The payment of interest on Junior Subordinated Funding Obligations shall be subordinate and rank junior to the payment of interest on Senior Funding Obligations, Derivative Funding Obligations and Subordinated Funding Obligations. The payment of principal on Subordinated Funding Obligations shall be subordinate and rank junior to the payment of principal on Senior Funding Obligations and Derivative Funding Obligations. The payment of principal on Junior Subordinated Funding Obligations shall be subordinate and rank junior to the payment of principal on Senior Funding Obligations, Derivative Funding Obligations and Subordinated Funding Obligations. In each case, the subordinations are the to the extent and in the manner set forth in the Master Trust Indenture and described under "*— Payment Waterfalls Prior to Acceleration*" and "*— Acceleration and Remedies — Payment Waterfall Upon Acceleration*".

Subject to the applicable payment waterfall, (i) all Senior Funding Obligations will in all respects be equally and ratably entitled to the benefits of the Master Trust Indenture with respect to such Series or Tranche without preference, priority or distinction on account, (ii) all Subordinated Funding Obligations will in all respects be equally and ratably entitled to the benefits of the Master Trust Indenture with respect to such Series or Tranche without preference, priority or distinction and (iii) all Junior Subordinated Funding Obligations of each Series or Tranche will in all respects be equally and ratably entitled to the benefits of the Master Trust Indenture with respect to such Series or Tranche without preference, priority or distinction, in each case, except as set out in a related Funding Obligation Agreement.

Security

To secure the payment of all Obligations Secured, including principal of and interest on the Issuer Funding Obligations, the Issuer has granted to the Indenture Trustee a security interest in all of its right, title and interest (whether now owned or hereafter acquired or arising) in and to the following property: (i) the Investment Interest acquired by the Issuer; (ii) each Issuer Account (including all sub-accounts); (iii) all Eligible Investments and all investment property, money and other property held in any Issuer Accounts (including all sub-accounts); (iv) all rights, benefits and powers of the Issuer under any Program Agreement; (v) all rights, benefits and powers of the Issuer under the FHPA; (vi) all present and future claims, demands, causes of and choses in action in respect of any of the foregoing and all interest, principal, payments and distributions of any nature or type on any of the foregoing; (vii) all accounts, general intangibles, chattel paper, instruments, documents, goods, money, investment property, deposit accounts, letters of credit and letter-of-credit rights consisting of, arising from, or relating to any of the foregoing; (viii) all debts, accounts, claims, monies and choses in action due or to become due with respect to all of the foregoing and also all securities, bills, notes, evidences of deposits of money, and other documents now held or owned or which may be hereafter taken, held or owned by the Issuer, or anyone on behalf of the Issuer, and all renewals thereof, accretions thereto, substitutions therefor and all interest, income and revenue arising therefrom or by virtue thereof; (ix) all amounts received with respect to all of the foregoing; and (x) all proceeds of the foregoing (collectively, the "**Collateral**").[50]

Issuer Accounts

Pursuant to the Master Trust Indenture, the Issuer will establish various accounts ("**Issuer Accounts**") – Program Accounts, Series Accounts and Securities Accounts. Each Issuer Account will be under the sole dominion and exclusive control of the Indenture Trustee. Each Program Account and each Series Account will be established as a segregated trust account with an Eligible Institution (an "**Eligible Deposit Account**"). If the institution holding any Program Account or Series Account ceases to be an Eligible Institution, the Issuer will establish a new Program Account or Series Account that is an Eligible Deposit Account and transfer any funds or other property from such existing Program Account or Series Account to such new Program Account or Series Account. Each Securities

[50] **Note:** Consider also including the floating charge in all of the property, assets and undertaking now owned or hereafter acquired by the Issuer in the definition of Collateral. (s. 2.01(b) of the Master Trust Indenture).

Account will be established as a segregated securities trust account with an affiliate of an Eligible Institution, which affiliate is licensed to maintain securities accounts (an "**Eligible Securities Account**"). If the institution holding any Securities Account ceases to be an affiliate of an Eligible Institution, the Issuer will establish a new Securities Account that is an Eligible Securities Account and transfer any funds or other property from such existing Securities Account to such new Securities Account. The Indenture Trustee has no obligation to reconcile any Issuer Account against another Issuer Accounts or against the Program Agreements.

Program Accounts

Collection Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Collection Account**"). The Indenture Trustee will hold the Collection Account for the benefit of the Indenture Trustee and the Specified Creditors. All Available Collections received by the Issuer will be credited to the Collection Account. "**Available Collections**" means: (i) all amounts received by the Servicer in respect of the Clean Energy Adjustment from Specified Consumers, (ii) IESO Carrying Cost payments (other than the IESO Cash Reserve Deposit Amount); and (iii) amounts received by the Issuer pursuant to derivative agreements. See *"Ontario Fair Hydro Plan"* and *"The Transferor and Servicer"*.

Interest Accumulation Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Interest Accumulation Account**"). The Indenture Trustee will hold the Interest Accumulation Account for the benefit of the Indenture Trustee and the Specified Creditors. The Interest Accumulation Account has been established for the purposes of pre-funding, collateralizing, over-collateralizing or establishing reserves for the payment of interest in respect of all Issuer Funding Obligations.

Principal Accumulation Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Principal Accumulation Account**"). The Indenture Trustee will hold the Principal Accumulation Account for the benefit of the Indenture Trustee and the Specified Creditors. The Principal Accumulation Account has been established for the purpose of accumulating funds to be used to make repayments in respect of all Issuer Funding Obligations.

IESO Cash Reserve Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**IESO Cash Reserve Account**"). The Indenture Trustee will hold the IESO Cash Reserve Account for the benefit of the Indenture Trustee and the Specified Creditors. The Issuer will deposit the IESO Cash Reserve Deposit Amount in the IESO Cash Reserve Account on the earlier of (x) April 30, 2021, and (y) the receipt by the Issuer of the IESO Cash Reserve Deposit Amount from the IESO.

Program Cash Reserve Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Program Cash Reserve Account**"). The Indenture Trustee will hold the Program Cash Reserve Account for the benefit of the Indenture Trustee and the Specified Creditors. The Issuer will deposit the Program Cash Reserve Required Amount in the Program Cash Reserve Account during the Reference Period commencing May 1, 2021 pursuant to the application of amounts available therefor under the Collection Account Waterfall.

Refinancing Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Refinancing Account**"). The Indenture Trustee will hold the Refinancing Account for

the benefit of the Indenture Trustee and the Specified Creditors. All proceeds arising from Notes and Borrowings related to Refinancings will be credited to the Refinancing Account.

Protection Account

Pursuant to the Master Trust Indenture, before the making of any demand for payment under the Change of Law Protection Agreement, the Issuer will establish an Eligible Deposit Account in the name of the Indenture Trustee (the "**Protection Account**"). The Indenture Trustee will hold the Protection Account for the benefit of the Indenture Trustee and the Specified Creditors. On the occurrence of a Protection Event and a written payment demand from the Indenture Trustee to the Province of Ontario, all payments received from the Province of Ontario under the Change of Law Protection Agreement will be credited to the Protection Account.

Series Accounts

Series Capital Reserve Account

In connection with the creation of a Series of Issuer Funding Obligations, the Issuer may establish an Eligible Deposit Account in the name of the Indenture Trustee (a "**Series Capital Reserve Account**"). The Indenture Trustee will hold each Series Capital Reserve Account for the benefit of the Indenture Trustee and the applicable Debtholders or Derivative Counterparties. A Series Capital Reserve Account may be established for the sole purpose of allowing the Issuer to accumulate funds to be used to make repayments in respect of a Series of Issuer Funding Obligations. Details of any period of accumulation and the amounts to be accumulated will be specified in the applicable Funding Obligation Agreement.

Series Finance Reserve Account

In connection with the creation of a Series of Issuer Funding Obligations, the Issuer may establish an Eligible Deposit Account in the name of the Indenture Trustee (a "**Series Finance Reserve Account**"). The Series Finance Reserve Account will be under the sole dominion and exclusive control of the Indenture Trustee. The Indenture Trustee will hold each Series Finance Reserve Account for the benefit of the applicable Debtholders or Derivative Counterparties. A Series Finance Reserve Account may be established for the sole purpose of allowing the Issuer to reserve funds to pay finance charges for a Series of Issuer Funding Obligations. Details of any reserve requirements will be specified in the applicable Funding Obligation Agreement.

Securities Accounts

In connection with the establishment of any Program Account (other than the Protection Account) or Series Account, the Issuer may establish an Eligible Securities Account in the name of the Indenture Trustee (a "**Securities Account**"). The Indenture Trustee will hold each Securities Account for the benefit of the applicable Specified Creditors. A Securities Account may be established for the purpose of allowing the Issuer to invest funds held in any Program Account or Series Account in Eligible Investments. Each Securities Account may relate to only one Program Account or Series Account. Funds in each Program Account and Series Account will be invested in Eligible Investments at the direction of the Manager using the associated Securities Account. Additionally, neither the Indenture Trustee nor the Manager will be responsible for any losses incurred in the investment of any funds in any Eligible Investments and any insufficiency in an Issuer Account resulting from any loss on Eligible Investments.

Credit Enhancement Agreements and Liquidity Agreements

A Series or Tranche of Issuer Funding Obligations may have the benefit of one or more additional forms of credit enhancement—referred to herein as credit enhancement agreements—such as a letter of credit, surety bond or loan facility. In addition, a Series or Tranche of Notes may have the benefit of one or more forms of liquidity agreements—referred to herein as liquidity agreements—such as a liquidity facility. Whether a Series or Tranche of Issuer Funding Obligations has the benefit of a credit enhancement agreement or a liquidity agreement, including how any payments made pursuant to such agreement will be applied, will be set out in the applicable Funding Obligation Agreement and the related Term Sheet (where applicable).

Payment Waterfalls Prior to Acceleration

All amounts received by the Issuer and all amounts to be paid by the Issuer from a Program Account or Series Account will be made in accordance with the payment waterfalls described below. All payments or transfers described in the sections below will be made by the Paying Agent based on payment instructions provided by the Manager. See "*— Covenants of the Issuer — Payment Instructions*".

Collection Account

Subject to the paragraph below, on each Payment Date (after giving effect to the distributions described in the first paragraph under "*— IESO Cash Reserve Account*"), all amounts on deposit in the Collection Account will be distributed in the following order of priority (*pro rata* in proportion to the claims represented by each paragraph below except as otherwise noted) (the "**Collection Account Waterfall**"):

(a) first, to the payment or remittance of taxes for which a governmental authority is given priority over the Specified Creditors under the laws of the applicable jurisdiction;

(b) second, to pay fees, expenses and reimbursement amounts owing to the Issuer Trustee and the Indenture Trustee up to a maximum aggregate amount equal to (i) $150,000, multiplied by (ii) the number of Series of Senior Funding Obligations outstanding on such Payment Date, divided by (iii) 12;

(c) third, *pari passu* (i) to transfer to the Interest Accumulation Account, the Interest Accrual Amount (Senior) for such Payment Date, and (ii) to pay all Derivative Funding Obligations (other than termination payments);

(d) fourth, to transfer to the Interest Accumulation Account, the Interest Accrual Amount (Subordinated) for such Payment Date;

(e) fifth, to transfer to the Interest Accumulation Account, the Interest Accrual Amount (Junior Subordinated) for such Payment Date;

(f) sixth, to transfer to the Principal Accumulation Account, the Principal Accumulation Amount (Warehouse) for such Payment Date;

(g) seventh, *pari passu* (i) to transfer to the Principal Accumulation Account, the Principal Accumulation Amount (Senior) for such Payment Date, and (ii) to pay termination payments owing to Derivative Counterparties where the Derivative Counterparty is not the defaulting party or the sole affected party;

(h) eighth, to pay all fees and other amounts (other than principal or interest) owing in respect of Senior Funding Obligations;

(i) ninth, to pay fees, expenses and reimbursement amounts owing to the Manager;

(j) tenth, to transfer to the Principal Accumulation Account, the Principal Accumulation Amount (Subordinated) for such Payment Date;

(k) eleventh, to pay all fees and other amounts (other than principal or interest) owing in respect of Subordinated Funding Obligations;

(l) twelfth, to transfer to the Principal Accumulation Account, the Principal Accumulation Amount (Junior Subordinated) for such Payment Date;

(m) thirteenth, to transfer to the Program Cash Reserve Account, the amount, if any, by which the amount on deposit in the Program Cash Reserve Account is less than the Program Cash Reserve Required Amount;

(n) fourteenth, to transfer to any Series Account (other than any Series Account related solely to Subordinated Funding Obligations or Junior Subordinated Funding Obligations), the amount required to replenish such Series Account as required by any related Funding Obligation Agreement;

(o) fifteenth, to transfer to any Series Account related solely to Subordinated Funding Obligations, the amount required to replenish such Series Account as required by any related Funding Obligation Agreement;

(p) sixteenth, to pay all fees and other amounts (other than principal or interest) owing in respect of Junior Subordinated Funding Obligations;

(q) seventeenth, to transfer to any Series Account related solely to Junior Subordinated Funding Obligations, the amount required to replenish such Series Account as required by any related Funding Obligation Agreement;

(r) eighteenth, to pay termination payments owing to Derivative Counterparties where the Derivative Counterparty is the defaulting party or the sole affected party;

(s) nineteenth, to pay the amount required pursuant to the Declaration of Trust to the Issuer Trustee for the account of the beneficiaries of the Issuer;

(t) twentieth, to pay all indemnity amounts owing to the Manager;

(u) twenty-first, *pari passu* (i) to pay fees, expenses, reimbursement and indemnity amounts owing to the Issuer Trustee and the Indenture Trustee not previously paid pursuant to paragraph (b), (ii) to the payment or remittance of taxes not previously paid pursuant to paragraph (a), and (iii) to pay all amounts owing to Specified Creditors not specifically referred to above; in each case, including, for each referenced party, any amounts payable to their respective affiliates under the terms of any relevant indemnity; and

(v) twenty-second, any amounts remaining (i) to be held in the Collection Account for distribution in the above order of priority on the next Payment Date; or (ii) after all Issuer Funding Obligations have been paid in full and discharged, and all other amounts have been paid in full, to pay to the Issuer.

Notwithstanding the foregoing, (i) the transfer of any amounts deposited by the IESO into the Collection Account on account of the IESO Cash Reserve Deposit Amount to the IESO Cash Reserve Account, and (ii) the transfer of any amounts deposited in the Collection Account on account of one-time transaction costs and expenses in connection with the incurrence of Issuer Funding Obligations on or within three business days of the closing date of such transaction, will, in each case, be made without reserving for or paying amounts which are senior in priority to such obligation under the Collection Account Waterfall.

Interest Accumulation Account

On each Interest Payment Date, the Paying Agent will distribute all amounts on deposit in the Interest Accumulation Account in the following order of priority (*pro rata* in proportion to the claims represented by each paragraph below except as otherwise noted):

(a) first, to pay all interest that is due and payable on Senior Funding Obligations on such Interest Payment Date;

(b) second, to pay all interest that is due and payable on Subordinated Funding Obligations on such Interest Payment Date, so long as after making this payment, the amount remaining on deposit in the Interest Accumulation Account at least equals the amount of accrued and unpaid interest on Senior Funding Obligations as of such Interest Payment Date; and

(c) third, to pay all interest that is due and payable on Junior Subordinated Funding Obligations on such Interest Payment Date, so long as after making this payment, the amount remaining in the Interest Accumulation Account at least equals the amount of accrued and unpaid interest on Senior Funding Obligations and Subordinated Funding Obligations as of such Interest Payment Date.

Any amounts remaining after the applications referred to above: (i) to be held in the Interest Accumulation Account for distribution in the above order of priority on the next Interest Payment Date; or (ii) after all Issuer Funding Obligations have been paid in full, to be transferred to the Collection Account.

Principal Accumulation Account

On each Interest Payment Date (after making the applications provided for in the waterfall under "*— Interest Accumulation Account*"), if any interest that is due and payable on Senior Funding Obligations, Subordinated Funding Obligations or Junior Subordinated Funding Obligations has not been paid, an amount equal to such deficiency will be withdrawn from the Principal Accumulation Account and applied to the payment of interest due and payable on such Interest Payment Date, provided that if the amount to be applied pursuant to this paragraph is insufficient to pay all such interest, the application of such amounts will be made first to Senior Funding Obligations, then to Subordinated Funding Obligations, and finally to Junior Subordinated Funding Obligations, in each case, on a *pro rata* basis.

On each Principal Payment Date (after making the applications provided for in the previous paragraph), the Paying Agent will distribute all amounts on deposit in the Principal Accumulation Account in the following order of priority (*pro rata* in proportion to the claims represented by each paragraph below except as otherwise noted):

(a) first, to pay all principal that is due and payable on Warehouse Obligations on such Principal Payment Date;

(b) second, to pay all principal that is due and payable on Senior Funding Obligations (other than Warehouse Obligations) on such Principal Payment Date;

(c) third, to pay all principal that is due and payable on Subordinated Funding Obligations on such Principal Payment Date, so long as after making this payment, the amount remaining in the Principal Accumulation Account at least equals the Required Principal Accumulation Amount (Senior) as of such Principal Payment Date; and

(d) fourth, to pay all principal that is due and payable on Junior Subordinated Funding Obligations on such Principal Payment Date, so long as after making this payment, the amount remaining in the Principal Accumulation Account at least equals the sum of the Required Principal Accumulation Amount (Senior) and the Required Principal Accumulation Amount (Subordinated) as of such Principal Payment Date.

Any amounts remaining after the applications referred to above: (i) to be held in the Principal Accumulation Account for distribution in the above order of priority on the next Interest Payment Date or Principal Payment Date; or (ii) after all Issuer Funding Obligations have been paid in full, to be transferred to the Collection Account.

IESO Cash Reserve Account

On each Payment Date beginning in November, 2021, an amount equal to the lesser of (i) the amounts to be paid or transferred pursuant to items (a) through (e) of the Collection Account Waterfall, and (ii) the amount, if any, by which the amount on deposit in the IESO Cash Reserve Account exceeds the IESO Cash Reserve Required

Amount will be withdrawn from the IESO Cash Reserve Account and applied to the making of such payments or transfers in the order provided for in the Collection Account Waterfall.

On each Payment Date, if the amounts available for distribution from the Collection Account and from the preceding sentence are insufficient to pay or transfer items (a) through (e) of the Collection Account Waterfall, an amount equal to such deficiency will be withdrawn from the IESO Cash Reserve Account and applied to the making of such payments or transfers in the order provided for in the Collection Account Waterfall. Once all funds in the IESO Cash Reserve Account have been paid out, the IESO Cash Reserve Account will be closed.

Program Cash Reserve Account

If, on any Payment Date, the amount on deposit in the Interest Accumulation Account is less than the sum of the Interest Accrual Amount (Senior), the Interest Accrual Amount (Subordinated) and the Interest Accrual Amount (Junior Subordinated), an amount equal to such deficiency will be withdrawn from the Program Cash Reserve Account and deposited in the Interest Accumulation Account.

If, on any Principal Payment Date, the amount available in the Principal Accumulation Account (in accordance with the provisions applicable thereto) is insufficient to pay all principal that is due and payable on Warehouse Obligations, other Senior Funding Obligations, Subordinated Funding Obligations or Junior Subordinated Funding Obligations, as applicable (see "— *Principal Accumulation Account*"), on such Principal Payment Date (after making the applications provided for in the previous paragraph), amounts on deposit in the Program Cash Reserve Account will be used in the following order of priority (*pro rata* in proportion to the claims represented by each paragraph below except as otherwise noted):

(a) first, to pay the deficiency on principal that is due and payable on Warehouse Obligations on such Principal Payment Date;

(b) second, to pay the deficiency on principal that is due and payable on Senior Funding Obligations (other than Warehouse Obligations) on such Principal Payment Date;

(c) third, to pay the deficiency on principal that is due and payable on Subordinated Funding Obligations on such Principal Payment Date; and

(d) fourth, to pay the deficiency on principal that is due and payable on Junior Subordinated Funding Obligations on such Principal Payment Date.

Any amounts remaining after the applications referred to above: (i) to be held in the Program Cash Reserve Account for distribution in the above order of priority on the next Interest Payment Date or Principal Payment Date; or (ii) after all Issuer Funding Obligations have been paid in full, to be transferred to the Collection Account.

Refinancing Account

On each Principal Payment Date, the Paying Agent will transfer from the Refinancing Account to the Principal Accumulation Account the lesser of (i) the amount on deposit in the Refinancing Account, and (ii) the amount by which the sum of the Principal Accumulation Amounts for all Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations on such Principal Payment Date (without reference to any refinancing notice) exceeds the amount on deposit in the Principal Accumulation Account. After all Issuer Funding Obligations have been paid in full, any amounts remaining in the Refinancing Account will be transferred to the Collection Account.

Protection Account

On each date in respect of which the Province of Ontario makes a payment pursuant to the Change of Law Protection Agreement, the Paying Agent will, prior to making any payments under any other payment waterfall, distribute all amounts in the Protection Account solely to satisfy payments in respect of Approved Obligations as set out in the written payment statement delivered by the Manager to the Province of Ontario under the Change of Law

Protection Agreement in the order of priority the applicable Obligation Secured has under the applicable payment waterfall.

On the Province of Ontario paying any amount in respect of an Approved Obligation into the Protection Account, the Province of Ontario will be subrogated and entitled to each applicable Specified Creditor's rights and interests under and in respect of the Approved Obligation to the extent of the amounts paid to the Specified Creditor out of the Protection Account, and shall be entitled to the right to be paid the applicable Subrogation Amount, the benefits of the Collateral, and all proceeds therefrom.

Series Accounts

If, after giving effect to payments made on any Payment Date, the amount in the Collection Account is insufficient to make all required payments to Specified Creditors on such date, amounts on deposit in any Series Account may be withdrawn from such Series Account and allocated to the applicable Specified Creditors in accordance with the related Funding Obligation Agreement.

Covenants of the Issuer

Payment of Principal and Interest

The Issuer will duly and punctually pay the principal of and interest due on the Issuer Funding Obligations in the manner specified in the Master Trust Indenture and any related Funding Obligation Agreement.

Use of Proceeds

The Issuer will use the proceeds of such indebtedness solely for: (i) the acquisition by the Issuer of an Investment Interest; (ii) the redemption, repayment or repurchase of any existing Issuer Funding Obligations; (iii) the funding of Issuer Accounts; and (iv) the payment of transaction fees and expenses in connection with the incurrence of Issuer Funding Obligations.

Legal Existence

The Issuer will do or cause to be done all things necessary to preserve its existence and maintain its status as a Financing Entity.

Separateness Covenants

The Issuer will take all reasonable steps to maintain its identity as a distinct entity with assets and liabilities distinct from those of the Manager and any of its affiliates. Such steps include: (i) conducting all transactions with the Manager strictly on an arm's length basis and in good faith; (ii) allocating all overhead expenses for items shared between the Issuer and the Manager on the basis of actual use to the extent practicable; (iii) conducting its affairs strictly in accordance with the Declaration of Trust; (iv) maintaining its books and records separate from those of the Manager or any affiliate thereof; (v) preparing its financial statements separately from those of the Manager and ensuring that any consolidated financial statements of the Manager that include the Issuer have notes clearly stating that the Issuer is a separate entity; (vi) only maintaining bank accounts or other depository accounts to which the Issuer alone is the account party and from which only the Issuer or its agent has the power to make withdrawals; (vii) paying its operating expenses from its own assets (including, reimbursing the Manager for any such expenses); (viii) maintaining its property in such a manner that it is not costly or difficult to segregate, ascertain or otherwise identify its individual assets from or against those of the Manager or any affiliate thereof; and (ix) not becoming liable to any person for any obligations of the Manager or any affiliate thereof.

Performance of Obligations

The Issuer agrees that it will (i) perform and observe all of its obligations and agreements contained in the Master Trust Indenture, the Declaration of Trust, the Master Transfer and Servicing Agreement, the other Program Agreements and in the instruments and agreements relating to the Collateral; (ii) diligently pursue any and all

actions to enforce its rights each instrument or agreement included in the Collateral except as expressly provided in any Program Agreement; and (iii) enforce the Servicer's material obligations under the Master Transfer and Servicing Agreement and the Manager's material obligations under the Management Agreement.

Funding Obligations

The Issuer will ensure that all indebtedness is incurred pursuant to and in accordance with the provisions of the Master Trust Indenture, as described under "*— Conditions Precedent to Incurrence of Obligations Secured — Issuer Funding Obligations*". The Issuer will not enter into any Funding Obligation Agreement (other than a Funding Obligation Agreement relating to Warehouse Obligations) that the Manager believes, acting reasonably, would likely require the Issuer to pay principal on such Issuer Funding Obligation by means of a Refinancing (other than a Pre-Approved Refinancing).

Financial Statements; Statement as to Compliance

The Issuer will deliver, or cause to be delivered to the Indenture Trustee and the Rating Agencies: (i) within 140 days after the end of each fiscal year, audited financial statements of the Issuer; (ii) within 90 days after the end of each fiscal quarter (other than the last fiscal quarter of each fiscal year), unaudited financial statements of the Issuer; and (iii) on an annual basis on or before March 31 of each year, a written statement concerning compliance with the conditions and covenants contained in the Master Trust Indenture and confirming that no Default or Event of Default has occurred or if a material Default or Event of Default has occurred, specifying the details thereof.

Payment Instructions

The Issuer will deliver to the Indenture Trustee and the Paying Agent (if the Paying Agent is not the Indenture Trustee) on a monthly basis, a payment instruction in respect of the Collection Account, which instruction shall set out the payments to be made on the following Payment Date and setting forth, among other things, (i) the amount of the payment to Debtholders (including a breakdown of principal and interest), (ii) any other transfers and payments to be made on such Payment Date, including amounts paid to the Indenture Trustee, the Issuer Trustee and the Manager, and (iii) the amounts on deposit in the Collection Account after giving effect to the foregoing payments. Similar payment instructions will also be delivered in respect of each other Program Account and Series Account, as and when payments are to be made from those accounts.

Notice of Certain Events; Protection Event

The Issuer will give the Indenture Trustee and each Rating Agency prompt written notice of (i) each Event of Default, (ii) each breach on the part of the Issuer or the Servicer of its respective obligations under the Master Transfer and Servicing Agreement (including any Servicer Default), (iii) each breach on the part of the Manager of its obligations under the Management Agreement, (iv) any default of the Issuer or a Derivative Counterparty under a derivative agreement, and (v) any Protection Event.

No Other Business

The Issuer will not engage in any activity other than the activities set forth in the Declaration of Trust or the other Program Agreements, the material provisions of which are described in this confidential shelf offering memorandum under "The Issuer".

Amendments to Program Agreements

Unless the Rating Agency Condition is satisfied, the Issuer will not make any material amendments to any Program Agreement (other than the Master Trust Indenture and individual trade confirmations under derivative agreements), or enter into any Co-Owner Agreement. Without limiting the foregoing sentence, the Issuer will not:

(a) enter into any Co-Owner Agreement without the consent of Controlling Class Creditors by Ordinary Resolution;

(b) amend, supplement, modify, restate or replace, or waive or consent to a postponement of compliance with the terms and conditions on the part of any other party to, any of the Program Agreements (other than the Master Trust Indenture, the derivative agreements and the Declaration of Trust) if any such amendment, supplement, modification, restatement or replacement, or waiver or consent, could reasonably be considered to be materially prejudicial to the rights or interests of any Specified Creditor(s), except as expressly permitted by such Specified Creditor(s) and subject to the Province of Ontario having been given prior notice;

(c) consent, if consent is required, to the resignation of the Manager under the Management Agreement; or

(d) amend the Declaration of Trust if such amendment would have or reasonably be expected to have an Adverse Effect; provided that if such amendment would have such result, such amendment may only be made if the Issuer has obtained the consent of the Debtholders affected by such amendment by Ordinary Resolution.

Regarding amendments to the Master Trust Indenture or a Supplemental Indenture, see "*— Amendments to Master Trust Indenture*".

Consolidation; Sale of Assets

The Issuer may not consolidate with or merge into any other person, or sell, convey, exchange, transfer or otherwise dispose of any of its properties or assets included in the Collateral to any person (each, a "**transaction**"), unless:

(a) the entity formed by or surviving the consolidation or merger (if other than the Issuer) or the entity that acquires by conveyance or transfer formed by or surviving the consolidation or merger, by conveyance or transfer, as applicable: (i) is a financing entity; (ii) is organized under the laws of Canada or any province or territory thereof; (iii) is not a non-resident for purposes of the *Income Tax Act* (Canada); (iv) is not subject to regulation as an "investment company" under the Investment Company Act, (v) expressly assumes, pursuant to an assignment and/or assumption agreement or supplement, the due and punctual payment of all Obligations Secured then outstanding and the performance or observance of all of the Issuer's agreements and covenants under each of the Program Agreements to which the Issuer is a party; and (vi) in the case of a conveyance or transfer only, expressly agrees, pursuant to such assignment and/or assumption agreement or supplement, that (A) all right, title and interest conveyed or transferred is subject and subordinate to the security interest of the Indenture Trustee and (B) it will make all filings required by applicable securities laws in connection with any Notes;

(b) no Event of Default has occurred and is continuing immediately after the transaction;

(c) the Issuer has delivered to the Indenture Trustee an officer's certificate and an opinion of counsel,[51] each stating that (i) such transaction and the agreements delivered in connection with such transaction comply with the terms and conditions in the Master Trust Indenture, (ii) all conditions precedent in the Master Trust Indenture relating to the transaction have been complied with, and (iii) each agreement delivered in connection with such transaction has been duly authorized, executed and delivered, and are valid, binding and enforceable against the surviving entity or transferee, as applicable;

(d) the Rating Agency Condition has been satisfied with respect to such transaction; and

(e) any action as is necessary to maintain the first priority perfected security interest in the Collateral has been taken.

[51] **Note:** Please confirm deletion of "external counsel". Please see definition of "Opinion of Counsel" and s. 13.19(c) in Master Trust Indenture.

No Borrowing; Guarantees, Loans; Restricted Payments

The Issuer will not issue, incur, assume, guarantee or otherwise become liable for any indebtedness except for Funding Obligations. Additionally, the Issuer will not, except as contemplated by the Master Trust Indenture or the Declaration of Trust, make any loan or advance or credit to, or guarantee, endorse or otherwise become contingently liable in connection with the obligations of, or own, purchase or acquire any stock, obligations, assets or securities of, or any other interest in, or make any capital contribution to, any other person.

The Issuer is permitted to declare or make payable any amounts to the owner of units in the Issuer as permitted by and in accordance with the Declaration of Trust, and redeem, purchase, retire or otherwise acquire for value any units in the Issuer, provided that the Issuer may only satisfy the distribution declared or made payable, or the redemption or purchase price of such units to the extent that cash or property is available for such purpose, subject to the payment waterfalls provided for in the Master Trust Indenture. If the Issuer is restricted from satisfying the foregoing amounts in cash or property, then the Issuer will satisfy such amounts through the issuance of additional units and/or a promissory note to its unitholders in accordance with the Declaration of Trust.

Subordinated Funding Obligations and Junior Subordinated Funding Obligations

Notwithstanding anything in a Funding Obligation Agreement to the contrary, the Issuer may not redeem any Series or Tranche of Subordinated Funding Obligations or Junior Subordinated Funding Obligations unless the following conditions are satisfied: (i) no Default or Event of Default has occurred and is continuing; (ii) all Issuer Accounts are fully funded in accordance with the Master Trust Indenture and any applicable Funding Obligation Agreement; and (iii) the aggregate outstanding principal amount of Subordinated Funding Obligations and Junior Subordinated Funding Obligations after giving effect to such redemption will not be less than 35% of the aggregate outstanding principal amount of Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations.

The Issuer will not permit (i) the aggregate outstanding principal amount of Subordinated Funding Obligations and Junior Subordinated Funding Obligations to be less than 35% of the aggregate outstanding principal amount of Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations, or (ii) the aggregate outstanding principal amount of Junior Subordinated Funding Obligations to be less than 10% of the aggregate outstanding principal amount of Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations.

Security Matters

The Issuer will not (i) permit any lien, charge, excise, claim, security interest, mortgage or other encumbrance (other than permitted liens) to be created on or extend to the Collateral, (ii) release any security or guarantee in respect of the Collateral, (iii) sell, transfer, exchange or otherwise dispose of any of the Collateral except as expressly permitted under the Master Trust Indenture, or (vi) change its name, jurisdiction of formation or type of organization, unless it has provided the Indenture Trustee and each Rating Agency with prior written notice and it has first made all filings and taken all actions necessary to continue and maintain the Indenture Trustee's first priority security interest in the Collateral.

Other Covenants

In addition to the covenants contained in any Supplemental Indenture or any other Funding Obligation Agreement and the other covenants described in this section, the Issuer agrees that:

- upon the written request of the Indenture Trustee, it will use reasonable commercial efforts, following any (i) termination or resignation of the Servicer, the Manager or the Paying Agent, or (ii) termination, non-renewal or expiry of a liquidity agreement or a credit enhancement agreement, to appoint and enter into an agreement with a successor to such Servicer, Manager or Paying Agent, or replace or renew such liquidity agreement or credit enhancement agreement, in form and substance the same as the previously existing Program Agreement;

- it will not claim any credit on or make any deduction from the principal and interest payable on the Notes or Borrowings (other than amounts withheld or deducted in accordance with the Master Trust Indenture); or

- it will not take any action that would cause it to be treated as engaged in a "trade or business within the United States" for U.S. federal income tax purposes.

Amendments to Master Trust Indenture

Amendments not Requiring Consent of Specified Creditors

The Issuer and the Indenture Trustee may amend, supplement or otherwise modify the Master Trust Indenture or any Supplemental Indenture without the consent of any Specified Creditor upon prior notice to each Rating Agency and the Province of Ontario and delivery by the Issuer to the Indenture Trustee of an officer's certificate to the effect that the Issuer reasonably believes that such amendment will not and is not reasonably expected to have an Adverse Effect. Such amendments to the Master Trust Indenture or any Supplemental Indenture may:

- evidence the succession or successive successions of another Financing Entity to the Issuer, and the assumption by such successor of the covenants of the Issuer in the Master Trust Indenture and the Notes;

- add to the covenants of the Issuer, or have the Issuer surrender any of its rights or powers under the Master Trust Indenture (or any Supplemental Indenture), for the benefit of the Debtholders of any or all Classes, Series or Tranches of Issuer Funding Obligations;

- cure any ambiguity, correct or supplement any provision in the Master Trust Indenture which may be inconsistent with any other provision in the Master Trust Indenture (or any Supplemental Indenture), to correct a clear clerical or administrative error, or make any other provisions for matters or questions arising under the Master Trust Indenture;

- provide for the issuance of any Series or Tranche of Notes and to set forth the terms thereof, and/or to add to the rights of the Noteholders of any Class, Series or Tranche;

- provide for the acceptance of a successor Indenture Trustee under the Master Trust Indenture;

- add any Events of Default relating to any or all Classes, Series or Tranches of Issuer Funding Obligations;

- provide for the consolidation of any financing entity and the Issuer into a single entity or the transfer of assets in any financing entity to the Issuer;

- if the IESO is replaced under the Master Transfer and Servicing Agreement, make any necessary changes to the Master Trust Indenture;

- provide for additional forms of credit enhancement for any Class, Series or Tranche of Issuer Funding Obligations;

- facilitate the issuance of foreign currency Issuer Funding Obligations;

- comply with any regulatory, accounting or tax laws, or changes to any ratings criteria;

- enable the Issuer to file a registration statement for the offering of securities registered under the Securities Act and to comply with Regulation AB thereunder; or

- qualify for sale treatment under generally accepted accounting principles.

The Master Trust Indenture or any Supplemental Indenture may also be amended by the Issuer and the Indenture Trustee without the consent of any Specified Creditor (but with prior notice to each Rating Agency and the Province of Ontario) in the following circumstances, provided that the Issuer delivers to the Indenture Trustee an officer's certificate to the effect that (i) the Issuer reasonably believes that such amendment will not and is not reasonably expected to have an Adverse Effect, and (ii) such amendment is required to comply with law, or to conform or be consistent with the statements contained in this confidential shelf offering memorandum:

- to facilitate compliance with changes in laws or regulations applicable to the Issuer or the transactions governed by the Program Agreements; or

- to cause the provisions of the Master Trust Indenture to conform to or be consistent with or in furtherance of the statements made in this confidential shelf offering memorandum with respect to the Master Trust Indenture or any Supplemental Indenture.

Additionally, the Master Trust Indenture or any Supplemental Indenture may also be amended by the Issuer and the Indenture Trustee without the consent of any Specified Creditor (but with prior notice to each Rating Agency and the Province of Ontario) in the following circumstances, provided that (i) the Issuer delivers to the Indenture Trustee an officer's certificate to the effect that the Issuer reasonably believes that such amendment will not and is not reasonably expected to have an Adverse Effect and (ii) the Rating Agency Condition is satisfied with respect to such amendment:

- to add provisions to, or change in any manner or eliminate any of the provisions of, the Master Trust Indenture or any Supplemental Indenture;

- to modify in any manner the rights of the Specified Creditors under the Master Trust Indenture or any Supplemental Indenture; or

- to provide for those changes necessary for compliance with securities law requirements or banking laws or regulations.

The Indenture Trustee may, but is not obligated to, enter into any amendment which adversely affects its rights, duties, benefits, protections, privileges or immunities under the Master Trust Indenture (or any Supplemental Indenture).

Amendments Requiring Consent of Debtholders

The Issuer and the Indenture Trustee may amend, supplement or otherwise modify and amend the Master Trust Indenture or any Supplemental Indenture for reasons other than those stated in the prior section ("*— Amendments not Requiring Consent of Specified Creditors*"), with prior notice to each Rating Agency and the Province of Ontario, the consent of Debtholders of each Class, Series or Tranche of Issuer Funding Obligations affected by that amendment, supplement or other modification by Ordinary Resolution, and satisfaction of the Rating Agency Condition. However, if the amendment, supplement or other modification would result in any of the following events occurring, it may be made only with the consent of each Debtholder of Issuer Funding Obligations affected thereby and satisfaction of the Rating Agency Condition:

- a change in an Interest Payment Date, Principal Payment Date or Principal Payment Default Date for any Issuer Funding Obligation;

- a reduction in the principal amount of, or interest rate on, any Note, or a change in the method of computing the outstanding principal amount in a manner that is adverse to any Debtholder;

- a reduction in the amount of a discount note payable upon its acceleration;

- a reduction in the percentage in outstanding principal amount of Issuer Funding Obligations of any Class, Series or Tranche, the consent of whose holders is required for modification or amendment of the Master Trust Indenture, any Supplemental Indenture or any related agreement or for waiver of compliance with provisions of the Master Trust Indenture or for waiver of defaults and their consequences provided for in the Master Trust Indenture;

- a modification of any of the provisions governing the amendment of the Master Trust Indenture or any Supplemental Indenture, or waivers of past defaults, except to increase any percentage of Debtholders required to consent to any such amendment or waiver, or to provide that certain other provisions of the Master Trust Indenture cannot be modified or waived without the consent of each Debtholder affected by such modification;

- a change in the city or political subdivision so designated with respect to any Class, Series or Tranche of Notes where any principal of, or interest on, any Note is payable; or

- a change in the method of computing the amount of principal of, or interest on, any Note on any date.

Debtholder Approvals and Meetings

Access to Debtholder Lists

The Indenture Trustee will preserve the names and addresses of all Specified Creditors received by it in its capacity as Note registrar and those which it has received from the Issuer in accordance with the Master Trust Indenture. Three or more Debtholders of any Series or Tranche, each of whom has owned an Issuer Funding Obligation of such Series or Tranche for at least six months, may, by application to the Indenture Trustee in the prescribed form, obtain access to the current list of Debtholders held by the Indenture Trustee for purposes of communicating with other Debtholders concerning their rights under the Master Trust Indenture (or any Supplemental Indenture) or under the applicable Program Agreement.

Debtholder Meetings

The Master Trust Indenture sets out the mechanics for meetings of Debtholders. The Master Trust Indenture provides for meetings of Debtholders of any Class, Series or Tranche of Issuer Funding Obligations, of all Issuer Funding Obligations, of Controlling Class Obligations of a Series or of all Controlling Class Obligations (each of such groups of Debtholders being a "**Debtholder Group**"). The Indenture Trustee will call a meeting of a Debtholder Group upon request of the Issuer or Debtholders of at least 25% in aggregate outstanding principal amount of the applicable Issuer Funding Obligations. If the Indenture Trustee fails to convene, or cause to be convened, such a meeting after 30 days, the Issuer or those Debtholders may convene the meeting. The Indenture Trustee may call a meeting of a Debtholder Group at any time for any purpose. The quorum for any meeting is one or more persons holding (personally or as proxies) not less than 25% of the outstanding principal amount of the Issuer Funding Obligations of the Debtholder Group entitled to vote at such meeting. Each Debtholder who is present, whether in person or by proxy, will have one vote for every $1,000 of outstanding principal amount of applicable Issuer Funding Obligations of which he or she shall be the holder.

Every question submitted to a meeting, except those matters requiring an Extraordinary Resolution, shall be decided by a majority of the votes (an "**Ordinary Resolution**"). Any matter requiring an Extraordinary Resolution shall be decided by the affirmative vote of Controlling Class Creditors holding not less than 66⅔% of the outstanding principal amount of all Controlling Class Obligations (an "**Extraordinary Resolution**"). Such matters include:

- after the security has become enforceable, authorizing the Indenture Trustee to accept, in satisfaction or partial satisfaction, all or any part of the Collateral;

- after the security has become enforceable, sanctioning the selling of the Collateral or any part thereof or interest therein;

- after the security has become enforceable, authorizing the Indenture Trustee or any other person to bid or tender at any sale of the Collateral or any part thereof and take such actions in connection with such sale as it determines to be in the best interests of all Controlling Class Creditors;

- consenting to any compromise or arrangement by the Issuer with any creditor, creditors or class or classes of creditors or with the holders of any securities of the Issuer whose claims are payable from the Collateral;

- restraining any Debtholder from taking or instituting any suit, action or proceeding for the purpose of realizing on the Collateral or for the execution of any trust or power hereunder or for the appointment of a liquidator, receiver or trustee in bankruptcy or to have the Issuer liquidated or for any other remedy hereunder and to direct such Debtholder to waive any Event of Default on which any suit or proceeding is founded;

- requiring the Indenture Trustee (subject to receipt by the Indenture Trustee of reasonable funding and indemnity) to exercise or refrain from exercising any other powers conferred upon it by the Master Trust Indenture of general application to all Classes of Issuer Funding Obligations, including the exercise of any rights of the Issuer under any of the Program Agreements upon the occurrence and during the continuance of an Event of Default, or cancel any declaration of acceleration made pursuant to the Master Trust Indenture upon such terms and/or conditions as may be decided;

- authorizing the Indenture Trustee, for and on behalf of all Debtholders, to file and prove a claim or debt against the Issuer or its property for an amount equivalent to the aggregate amount which may be payable in respect of all Issuer Funding Obligations, to value the Collateral, and to vote such claim or debt at meetings of creditors and generally act for and on behalf of all Debtholders in such proceedings as such Extraordinary Resolution may provide; and

- appointing a committee to exercise, on behalf of all Controlling Class Creditors, any powers of such Controlling Class Creditors as are exercisable by Extraordinary Resolution or other resolution (as specified in the Extraordinary Resolution appointing such committee).

Any resolution or instrument signed by the requisite number of Debtholders or Controlling Class Creditors, as applicable, shall have the same force and effect as a resolution duly passed at a meeting of such Debtholders or Controlling Class Creditors.

Any action or vote taken at a meeting (including by way of written instrument) of Debtholders of a Debtholder Group duly held in accordance with the Master Trust Indenture will be binding on all Debtholders of that Debtholder Group. An Extraordinary Resolution shall bind all Debtholders and all other Specified Creditors.

In determining whether Noteholders of the requisite principal amount have taken any action under the Master Trust Indenture, (i) Senior Notes owned by the Issuer, the Manager or any affiliate of either of them, and (ii) any Class of Notes (or portion thereof) in which the Province of Ontario has an interest will, in each case, be disregarded and deemed not to be outstanding at any time that a Specified Creditor other than the Province of Ontario has an interest in such Class of Notes. In determining whether the Indenture Trustee will be protected in relying upon any such action, only Senior Notes (or, in the case of the Province of Ontario, any Notes) which a responsible officer of the Indenture Trustee knows to be owned by the Issuer, OPG or any affiliate of either of them, or with respect to which the Province of Ontario has an interest pursuant to the Change of Law Protection Agreement, will be so disregarded.

Whenever an action may be taken by Debtholders of a specified percentage of outstanding principal amount of Issuer Funding Obligations and at such time there are outstanding Issuer Funding Obligations of any relevant Series denominated in a foreign currency, then the principal amount of the Issuer Funding Obligations of such Series which will be deemed to be outstanding for purposes of taking such action will be the amount of Canadian dollars which could be obtained for such principal amount at the market exchange rate on the applicable date.

Events of Default

General

Each of the following events is an "**Event of Default**":

(a) the Issuer's failure, for a period of 5 days, to pay interest on any Controlling Class Obligations when such interest becomes due and payable;

(b) the Issuer's failure to pay the principal of any Controlling Class Obligations at the Principal Payment Default Date;

(c) any representation or warranty in the Master Trust Indenture proves to be incorrect in any material respect when made and if capable of remedy, such incorrect representation or warranty is not remedied for a period of 60 days after the Indenture Trustee or Controlling Class Creditors holding at least 25% of the outstanding principal amount of all Controlling Class Obligations have provided written notice to the Issuer requesting remedy of that default and stating that as a result of such default, the interests of such Controlling Class Creditors are materially and adversely affected and continue to be materially and adversely affected during the 60-day period;

(d) the Issuer's default in the performance, or breach, of any other of its covenants or warranties in the Master Trust Indenture, for a period of 60 days after the Indenture Trustee or Controlling Class Creditors holding at least 25% of the outstanding principal amount of all Controlling Class Obligations have provided written notice to the Issuer requesting remedy of that default and stating that as a result of such default, the interests of such Controlling Class Creditors are materially and adversely affected and continue to be materially and adversely affected during the 60-day period;

(e) certain events of bankruptcy or insolvency of the Issuer, or the Issuer fails to maintain its existence or status as a Financing Entity;

(f) the Change of Law Protection Agreement ceases to be in full force and effect against the Province of Ontario, or the validity thereof, or the applicability thereof to the Province of Ontario or any Controlling Class Obligations is disaffirmed by the Province of Ontario;

(g) an Acceleration Event has occurred and Controlling Class Creditors holding at least 25% of the outstanding principal amount of all Controlling Class Obligations have provided written notice to the Issuer and the Indenture Trustee specifying the default;

(h) the Issuer's default in the performance of its covenant to deliver payment instructions for a period of three days after the Indenture Trustee has provided written notice thereof;

(i) at any time, the amounts withdrawn from the Program Cash Reserve Account prior to such time exceed the aggregate of (x) 0.50% of the largest outstanding principal amount of all Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations on or prior to such time, (y) the sum of all amounts deposited to the Program Cash Reserve Account, and (z) all interest and earnings (net of losses and investment expenses), if any, on funds credited to the Program Cash Reserve Account; or

(j) a Servicer Default occurs.

If Controlling Class Obligations constituting 25% or more of the outstanding principal amount of all Controlling Class Obligations have been accelerated in accordance with their Funding Obligation Agreements, the thresholds required in clauses (c), (d) or (g) will be deemed to have been met.

Waiver of Default

Subject to the summary provided for below under "*— Acceleration and Remedies — General*", Controlling Class Creditors may, by Ordinary Resolution, waive any past Default under the Master Trust Indenture so long as the Rating Agency Condition in respect of each Series or Tranche of Controlling Class Obligations has been satisfied.

Acceleration and Remedies

General

If an Event of Default (other than an Event of Default described in paragraph (e) or (f)) occurs and is continuing, either the Indenture Trustee or Controlling Class Creditors holding not less than 50% of the outstanding principal amount of all Controlling Class Obligations (treated as one class) may declare the outstanding principal amount of all Issuer Funding Obligations (other than Derivative Funding Obligations) to be immediately due and payable. If Controlling Class Obligations constituting 50% or more of the outstanding principal amount of all Controlling Class Obligations have been accelerated in accordance with their Funding Obligation Agreements, the 50% threshold required will be deemed to have been met. The occurrence of an Event of Default described in paragraph (e) or (f) results in an automatic acceleration of all Issuer Funding Obligations (other than Derivative Funding Obligations).

A declaration of acceleration or an automatic acceleration may be rescinded by Extraordinary Resolution if (i) the Issuer has paid all overdue interest, principal that has become due (other by reason of acceleration) on Controlling Class Obligations and other amounts set out in the Master Trust Indenture, and (ii) all Events of Default (other than non-payment of principal) have been cured or waived.

If Controlling Class Obligations are accelerated, the Indenture Trustee may amongst other things, (i) apply to a court for an order of sequestration and payment of amounts in respect of the Clean Energy Adjustment in accordance with the FHPA, (ii) take possession of the Collateral, (iii) appoint a receiver with respect to the Collateral, (iv) initiate proceedings in any court for the appointment of a receiver or for sale or foreclosure, (v) exercise rights, remedies, powers, privileges and claims under any Program Agreement, including the right to terminate and replace the Manager or the Servicer, or (vi) take any other action, suit, remedy or proceeding authorized or permitted by the Master Trust Indenture or by applicable law. The Indenture Trustee is not obligated to exercise any of its rights or powers under the Master Trust Indenture at the request or direction of any Controlling Class Creditors unless Controlling Class Creditors offer the Indenture Trustee a reasonable indemnity.

See *"Risk Factors — Risks Associated with the Unusual Nature of the Investment Asset" and "Risk Factors — Insolvency-Related Risks Relating to the Issuer"*.

Limitation on Available Amounts on Acceleration

If all or any portion of the principal amount of any indebtedness of the Issuer (including one or more Series of Senior Notes) becomes due and payable after the Moratorium Period and before its scheduled payment date, maturity date or redemption date, then the estimated Finance Amount used by the Financial Services Manager to determine the Clean Energy Adjustment for a period will be determined without regard to the fact that such amount has become due and payable, unless and only to the extent that the amount of the Clean Energy Adjustment is capable of being increased based on the Fair Allocation Amount for such period. See *"Ontario's Fair Hydro Plan — Fair Allocation Amount and Financing Plan"*. However, upon such acceleration, all accelerated Senior Notes will be repaid in full before any further payments of principal are made to holders of subordinated indebtedness, including the subordinated debt held by OPG; therefore, collections of the Clean Energy Adjustment that would otherwise have been available to repay the principal amount of subordinated indebtedness in the absence of

acceleration of the Senior Notes will instead be applied to repay accelerated Senior Notes. See "*Capital Markets Platform*".[52]

Payment Waterfall Upon Acceleration

After acceleration of the Issuer Funding Obligations (other than derivative agreements), any money or other property standing to the credit of an Issuer Account (except as set out below) or otherwise collected by the Indenture Trustee will be applied in the following priority:

(a) first, to the payment or remittance of taxes for which a governmental authority is given priority over the Specified Creditors under the laws of the applicable jurisdiction;

(b) second, to pay fees, expenses and reimbursement amounts owing to the Issuer Trustee and the Indenture Trustee;

(c) third, *pari passu* (i) to pay interest, fees and other amounts (other than principal) owing in respect of Senior Funding Obligations and (ii) to pay all Derivative Funding Obligations (other than termination payments);

(d) fourth, to pay interest, fees and other amounts (other than principal) owing in respect of Subordinated Funding Obligations;

(e) fifth, to pay interest, fees and other amounts (other than principal) owing in respect of Junior Subordinated Funding Obligations;

(f) sixth, to pay principal owing in respect of Warehouse Obligations;

(g) seventh, *pari passu* (A) to pay principal owing in respect of Senior Funding Obligations (other than Warehouse Obligations) and (B) to pay termination payments owing to Derivative Counterparties where the Derivative Counterparty is not the defaulting party or the sole affected party;

(h) eighth, to pay fees, expenses and reimbursement amounts owing to the Manager;

(i) ninth, to pay principal owing in respect of Subordinated Funding Obligations;

(j) tenth, to pay principal owing in respect of Junior Subordinated Funding Obligations;

(k) eleventh, to pay termination payments owing to Derivative Counterparties where the Derivative Counterparty is the defaulting party or the sole affected party;

(l) twelfth, to pay all indemnity amounts owing to the Manager;

(m) thirteenth, *pari passu* (i) to the payment or remittance of taxes not previously paid pursuant to paragraph (a), and (ii) to pay all amounts owing to Specified Creditors not specifically referred to above; in each case, including, for each referenced party, any amounts payable to their respective affiliates under the terms of any relevant indemnity; and

(n) fourteenth, to pay any remaining amounts to the Issuer.

However, amounts on deposit in a Series Account will first be used to satisfy all obligations owing to the Debtholders or Derivative Counterparties for whom such Series Account was established. Thereafter, such amounts

[52] **Note:** Please consider tracking the specific terms of section 6.1 of the General Regulation, and add detailed descriptions to correspond to the limitation on cashflows during acceleration in the applicable detailed portions of the OM and Risk Factors.

will be applied in accordance with the priorities set out above. In addition, amounts on deposit in the Protection Account will only be used to satisfy the obligations for which those amounts were deposited.

Rights of Specified Creditors

No Specified Creditor will have the right to institute any proceeding, judicial or otherwise, with respect to the Master Trust Indenture, or for the appointment of a receiver or trustee or similar official, or for any other remedy under the Master Trust Indenture. A Controlling Class Creditor may exercise such rights if:

(a) the Issuer or a Controlling Class Creditor has previously given to the Indenture Trustee written notice of a continuing Event of Default;

(b) Controlling Class Creditors, by Ordinary Resolution, have made written request of the Indenture Trustee to institute the proceeding in its own name as Indenture Trustee;

(c) Controlling Class Creditors have offered the Indenture Trustee a satisfactory indemnity; and

(d) the Indenture Trustee has, for 60 days, failed to institute the proceeding.

Subject to certain powers which may only be exercised by Extraordinary Resolution, Controlling Class Creditors, by Ordinary Resolution, will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising any trust or power conferred on the Indenture Trustee with respect to all Issuer Funding Obligations. However, the Indenture Trustee may decline to follow such direction if it determines (based on advice from counsel) that such direction (i) conflicts with applicable law or the Master Trust Indenture, (ii) has a substantial likelihood of involving the Indenture Trustee in personal liability or (iii) is unjustly prejudicial to Controlling Class Creditors not taking part such direction. See "*— Debtholder Approvals and Meetings — Debtholder Meetings*" for a description of certain powers which may only be exercised by Extraordinary Resolution. Specified Creditors (other than Debtholders) do not have any right to direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising any trust or power conferred on the Indenture Trustee. Specified Creditors (other than Debtholders) will only have the right to receive proceeds following an Event of Default.

Limited Recourse

The obligation of the Issuer to pay principal of and interest on the Issuer Funding Obligations or any other amount payable to any Specified Creditor is subject to the allocation and payment provisions in the Master Trust Indenture and the applicable Funding Obligation Agreement and limited to amounts available from the Collateral. Neither the Indenture Trustee, the Manager nor the Issuer Trustee in its individual capacity, nor any holder of any unit in the Issuer, nor any of their respective owners, beneficiaries, agents, officers, directors, employees, successors or assigns will, in the absence of an express agreement to the contrary, be personally liable for the payment of the principal of or interest on the Notes or any other Issuer Funding Obligation, or for the Issuer's covenants and agreements contained in the Master Trust Indenture.

No Petition

Each Specified Creditor, by accepting its rights as a beneficiary under the Master Trust Indenture, agrees that until one year and one day following repayment in full of all Issuer Funding Obligations, it will not commence (or join in commencing) a bankruptcy, insolvency or similar proceeding under the laws of any jurisdiction against the Issuer.

Force Majeure

The Indenture Trustee and the Issuer Trustee will not be responsible or liable for any failure or delay in the performance of their obligations under the Master Trust Indenture arising out of or caused by, directly or indirectly, forces beyond their control, including loss or malfunctions of utilities, communications or computer services.

Satisfaction and Discharge

The Master Trust Indenture will cease to be of further effect with respect to any Class, Series or Tranche of Issuer Funding Obligations when:

(a) (x) in the case of Notes, all Notes of that Class, Series or Tranche which had been outstanding, with certain exceptions set forth in the Master Trust Indenture, have been delivered to the Indenture Trustee for cancellation or been cancelled, or (y) in the case of all other Issuer Funding Obligations, all Issuer Funding Obligations of that Class, Series or Tranche have been paid in full, as certified by the Issuer;

(b) the Issuer has paid all other sums payable by it under the Master Trust Indenture with respect to that Class, Series or Tranche of Issuer Funding Obligations; and

(c) the Issuer has delivered to the Indenture Trustee an officer's certificate and an opinion of external counsel each stating that the conditions precedent in the Master Trust Indenture relating to the satisfaction and discharge with respect to that Class, Series or Tranche of Issuer Funding Obligations have been complied with.

The Master Trust Indenture will cease to be of further effect when all Issuer Funding Obligations have been satisfied and discharged in accordance with the previous paragraph and all other Obligations Secured have been paid in full, as certified by the Issuer.

DESCRIPTION OF NOTES

The following description of the Senior Notes is a summary of certain of their material attributes and characteristics, and does not purport to be complete. The terms and conditions set forth in this "Description of the Senior Notes" section will apply to each Senior Note unless otherwise specified in the Term Sheet applicable to such Offering. For further particulars, reference should be made to the Master Trust Indenture and the Supplemental Indenture and Terms Document, if any, relating to the particular Series or Tranche of Senior Notes.

General

The Senior Notes will be issued under the Master Trust Indenture and will be Funding Obligations issued in connection with the financing program described under the heading "*Capital Markets Platform*". The specific terms and conditions of each Series of Senior Notes will be set forth in the Supplemental Indenture authorizing that Series and the specific terms and conditions of any Tranche of Senior Notes will be set forth in the Supplemental Indenture or the Terms Document authorizing that Tranche.

Under the Master Trust Indenture, the Issuer may issue an unlimited principal amount of Senior Notes. See "*Capital Markets Platform — Conditions Precedent to Incurrence of Obligations Secured — Issuer Funding Obligations*". The Senior Notes will be direct obligations of the Issuer and secured in the manner provided for under the Master Trust Indenture. See "*Capital Markets Platform — Security*".

The Supplemental Indenture or Terms Document will describe the following terms of the Senior Notes:

- the Series designation;
- stated principal amount of the Senior Notes;
- whether such Senior Notes are of a particular Tranche of Senior Notes;

- the currency or currencies in which such Senior Notes will be denominated and in which payments of principal of, and interest on, such Senior Notes will or may be payable;

- the price at which such Series or Tranche of Senior Notes will be issued;

- the times at which such Series or Tranche of Senior Notes may, pursuant to any optional redemption provisions, be redeemed, and the other terms and provisions of any such redemption;

- the rate per annum at which such Series or Tranche of Senior Notes will bear interest, if any, or the formula or index on which such rate will be determined;

- each Interest Payment Date, each Principal Payment Date and the Principal Payment Default Date for such Series or Tranche of Senior Notes;

- the Principal Accumulation Date(s) and Principal Accumulation Amount(s) for such Series of Senior Notes;

- the initial principal amount of such Senior Notes, and the means for calculating the outstanding principal amount of such Series or Tranche of Senior Notes;

- whether or not application will be made to list such Series or Tranche of Notes on any securities exchange;

- any events of default with respect to such Series or Tranche of Senior Notes;

- if such Series or Tranche of Senior Notes will be issued in whole or in part in the form of a global note, the terms and conditions, if any, upon which such global note may be exchanged for other individual Senior Notes, and the depository for such global note;

- if such Class, Series or Tranche of Senior Notes will be issued in whole or in part in registered form, bearer form or both, and if such Senior Notes will be issued with or without coupons;

- if such Class, Series or Tranche will have the benefit of a credit enhancement agreement or liquidity agreement, and the terms and provisions of the applicable agreement;

- the record date for any Interest Payment Date or Principal Payment Date of such Series or Tranche of Senior Notes, if different from the last of the month before the related Interest Payment Date or Principal Payment Date; and

- whether and under what conditions, additional amounts will be payable to Noteholders of such Series or Tranche of Notes.

Limitations

The Senior Notes do not constitute a debt, liability or other obligation of, or interest in, OPG or any of its other affiliates (other than the Issuer). The Senior Notes are not a debt, liability or obligation of the Province of Ontario or any of its political subdivisions, agencies or instrumentalities. The Senior Notes will not be insured or guaranteed by the Province of Ontario, OPG or any of their respective affiliates or any other person or entity, except that the Province of Ontario has agreed to provide a limited guarantee in respect of the Senior Notes following the occurrence of certain events. See *"Change of Law Protection Agreement"*.

Payments of Principal and Interest

Interest will accrue on the principal balance of each Series or Tranche of Senior Note at the interest rate specified in the related Term Sheet and will be payable on the Interest Payment Date(s) specified in the related Term

Sheet. Principal of each Series or Tranche of Senior Notes will be payable in the amounts and on the Principal Payment Date(s) specified in the related Term Sheet. The Term Sheet applicable to a Series or Tranche of Senior Notes will also set out the Principal Payment Default Date for such Senior Notes, which is the date on which failure to pay the principal amount of such Senior Notes will result in an Event of Default.

On each Payment Date, the Issuer will, to the extent funds are available therefor from the Collection Account (see "*Capital Markets Platform — Payment Waterfalls Prior to Acceleration — Collection Account*"), transfer to the Interest Accumulation Account the aggregate amount of interest that has accrued on each Series of Senior Notes (together with all other amounts to be accrued for other Issuer Funding Obligations). On each Interest Payment Date for a Series or Tranche of Senior Notes, the Paying Agent will pay to the holders of such Senior Notes interest then due on such Senior Notes using amounts available therefor from the Interest Accumulation Account, the Principal Accumulation Account, the IESO Cash Reserve Account, the Program Cash Reserve Account and the Protection Account. See "*Change of Law Protection Agreement*" and "*Capital Markets Platform — Payment Waterfalls Prior to Acceleration*".

On each Payment Date, the Issuer will, to the extent funds are available therefor from the Collection Account (see "*Capital Markets Platform — Payment Waterfalls Prior to Acceleration — Collection Account*"), transfer to the Principal Accumulation Account the aggregate of the amounts the Issuer is required to accumulate for each Series of Senior Notes (together with all other amounts to be accumulated for other Issuer Funding Obligations). The Term Sheet applicable to a Series or Tranche of Senior Notes will set out the Principal Accumulation Amount(s) and the Principal Accumulation Date(s) for such Senior Notes. On each Principal Payment Date for a Series or Tranche of Senior Notes, the Paying Agent will pay to the holders of such Senior Notes the principal then due on such Senior Notes using amounts available therefor from the Principal Accumulation Account, the Program Cash Reserve Account and the Protection Account. See "*Change of Law Protection Agreement*" and "*Capital Markets Platform — Payment Waterfalls Prior to Acceleration*". Holders of Senior Notes may receive principal payments earlier than a Principal Payment Date if an optional redemption occurs and may receive principal payments later than a Principal Payment Date if there are insufficient Available Collections. See "*Risk Factors*" for a discussion of factors that may affect the timing of principal payments on a Series or Tranche of Senior Notes. It is not an Event of Default if the stated principal amount of a Series or Tranche of Senior Notes is not paid in full on a Principal Payment Date. If the stated principal amount of a Senior Note is not paid in full by its Principal Payment Default Date, an Event of Default will occur. See "*Capital Markets Platform — Events of Default*".

Unless otherwise specified in a Term Sheet, the Issuer has designated the Indenture Trustee as its Paying Agent for all Senior Notes having a place of payment in Toronto, Ontario.

Optional Redemption of Senior Notes

If a Supplemental Indenture for any Series or Tranche of Senior Notes states that such Senior Notes will be redeemable, in whole at any time or in part from time to time, such Senior Notes will be redeemable at the option of the Issuer at the redemption price specified in the Supplemental Indenture. If less than all the Senior Notes of any Series or Tranche are to be redeemed at one time, the Senior Notes of such Series or Tranche to be redeemed will be selected by the Indenture Trustee on a pro rata basis according to the principal amount of such Senior Notes registered in the name of each holder thereof, or in such other manner as the Indenture Trustee may consider equitable.

Notice of any redemption will be delivered to each holder of the Senior Notes to be redeemed, electronically or by mail (postage prepaid) at the address of such holder appearing in the Note register (or published in an authorized newspaper in the case of Senior Notes held in bearer form) or otherwise in accordance with the procedures of the depository, at least 15 days but not more than 30 days before the redemption date, except that redemption notices may be delivered more than 30 days prior to the redemption date if the notice is issued in connection with a satisfaction and discharge of the Master Trust Indenture with respect to such Series or Tranche of Senior Notes. The notice of redemption will state (i) the portion of the principal amount thereof to be redeemed (provided that no Senior Notes in an aggregate principal amount of 1,000 units of the applicable currency or less will be redeemed in part), (ii) the redemption date and (iii) the redemption price. Unless the Issuer defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Senior Notes or portions of the Senior Notes called for redemption. A replacement note in principal amount equal to the

unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original note; provided, however, that, in the case of a global note, an appropriate notation may instead be made on such note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof.

The Term Sheet for each Offering will identify the redemption provisions of the applicable Notes at the time of such Offering.

Purchase for Cancellation

The Issuer may purchase or otherwise acquire, at any time or from time to time, all or any of the outstanding Senior Notes of any Series or Tranche in the market or by invitation for tenders or by private contract at such prices as it may determine in its sole discretion. All such Senior Notes purchased by the Issuer will be cancelled. If, upon a tender, more Senior Notes of a Series or Tranche are tendered at the same lowest price than the Issuer is prepared to accept, the Senior Notes of such Series or Tranche to be purchased will be selected by the Indenture Trustee on a pro rata basis according to the principal amount of such Senior Notes registered in the name of each holder thereof, or in such other manner as the Indenture Trustee may consider equitable.

DEPOSITORY SERVICES

Except as otherwise provided below, the Senior Notes will be issued in "book-entry only" form and must be purchased, transferred, redeemed or exchanged through participants ("**Participants**") in the depository service of a depository chosen by the Issuer (the "**depository**") or its nominee, which include securities brokers and dealers, banks and trust companies. On the closing date of an Offering, the Issuer will cause a global certificate representing the Senior Notes to be delivered to, and registered in the name of, the depository or its nominee. Except as described below, no purchaser of Senior Notes will be entitled to a certificate or other instrument from the Issuer or the depository evidencing that purchaser's ownership thereof, and no purchaser will be shown on the records maintained by the depository except through a book-entry account of a Participant acting on behalf of such purchaser. Each purchaser of Senior Notes will typically receive a customer confirmation of purchase from the registered dealer from which the Senior Notes are purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally, customer confirmations are issued promptly after execution of a customer order. The depository will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in the Senior Notes.

Neither the Issuer, the Indenture Trustee nor the Agents will assume any liability for: (i) any aspect of the records relating to the beneficial ownership of the Senior Notes held by the depository or the payments relating thereto; (ii) maintaining, supervising or reviewing any records relating to the Senior Notes; or (iii) any advice or representation made by or with respect to the depository or those contained in this confidential shelf offering memorandum and relating to the rules governing the depository or any action to be taken by the depository or at the direction of its Participants. The rules governing the depository provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to the depository and persons, other than Participants, having an interest in the Senior Notes must look solely to Participants for payments made by or on behalf of the Issuer to the depository in respect of the Senior Notes.

If: (i) required by applicable law; (ii) the depository notifies the Issuer in writing that the depository is no longer willing or able to discharge properly the responsibilities of a depository with respect to the Senior Notes and the Issuer is unable to locate a qualified successor; (iii) the Issuer determines the Senior Notes in book-entry only form should be exchanged for definitive certificates and the Issuer delivers a written notice to such effect to the Indenture Trustee; (iv) an Event of Default has occurred and Noteholders holding more than 50% of the Controlling Class Obligations of any Series of Senior Notes determine such book-entry system is no longer in the best interests of the holders of that Series; or (v) the book-entry system is terminated, then certificates representing the Senior Notes will be issued to the beneficial owners of Senior Notes.

Interest on the Senior Notes will be paid directly to CDS while the book-entry only system is in effect. If definitive certificates are issued, interest will be paid by wire transfer of immediately available funds to the accounts specified by the holders thereof or, if no such account is specified, by mailing a cheque to each such holder's registered address. Payment of principal, and the interest due, at maturity, will be paid directly to CDS while the

book-entry only system is in effect. If definitive certificates are issued, payment of principal, and interest due, at maturity, will be paid upon surrender thereof at any office of the Trustee or as otherwise specified in the Indenture.

Manner of Effecting Transfer or Redemption

A transfer or redemption of Senior Notes held in "book-entry form" only will be effected through records maintained by the depository or its nominee with respect to interests of Participants, and on the records of Participants with respect to interests of persons other than Participants. Purchasers of such Senior Notes who are not Participants, but who desire to purchase, sell or otherwise transfer ownership of or other interests in the Senior Notes, may do so only through Participants.

DTC, Euroclear and Clearstream, Luxembourg

Where CDS acts as depository for a series of Senior Notes, to the extent the Issuer makes such series of Senior Notes eligible with The Depositary Trust Company ("**DTC**"), Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"), and the Issuer specifies as such in the Term Sheet with respect to the particular series of Senior Notes, holders may hold such series of Senior Notes through the accounts maintained by DTC, Euroclear or Clearstream, Luxembourg, as applicable, as participants in CDS only if they are participants of those systems, or indirectly through organizations which are participants of those systems.

In such case, DTC, Euroclear and Clearstream, Luxembourg will hold omnibus book-entry positions on behalf of their participants through customers' securities accounts in their respective depositaries which in turn will hold such positions in customers' securities accounts in the names of the nominees of the depositaries on the books of CDS. All securities in DTC, Euroclear and Clearstream, Luxembourg are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts.

Transfers of such Senior Notes by persons holding through Euroclear or Clearstream, Luxembourg participants, as applicable, will be effected through CDS, in accordance with CDS rules, on behalf of the relevant European international clearing system by its depositaries; however, such transactions will require delivery of transfer instructions to the relevant European international clearing system by the participant in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transfer meets its requirements, deliver instructions to its depositaries to take action to effect the transfer of the Senior Notes on its behalf by delivering Senior Notes through CDS and receiving payment in accordance with its normal procedures for next-day funds settlement. Payments with respect to the Senior Notes held through Euroclear or Clearstream, Luxembourg will be credited to the cash accounts of Euroclear participants or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures, to the extent received by its depositaries.

All information in this confidential shelf offering memorandum concerning CDS, DTC, Euroclear and Clearstream, Luxembourg, reflects the Issuer's understanding of the policies of such organizations which may change at any time without notice.

PLAN OF DISTRIBUTION

The Senior Notes may be sold by the Issuer directly pursuant to applicable statutory exemptions or through agents designated by the Issuer from time to time. Each Term Sheet will identify the Agents engaged in connection with the applicable Offering of Senior Notes and will also set forth the terms of the Offering of Senior Notes, including the net proceeds to the Issuer and, to the extent applicable, any fees payable to the Agents. The Agents will conditionally offer the Senior Notes for sale on a "best efforts" basis, if, as and when issued and delivered by the Issuer in accordance with the conditions contained in an agency agreement (the "**Agency Agreement**") between the Issuer, OPG and the Agents to be entered into on or about the date of each Term Sheet. The Agents will be paid a fee by the Issuer for their services rendered to the Issuer in connection with the offering, issue and sale of the Senior Notes. The obligations of the Agents under the Agency Agreement may be terminated upon the occurrence of certain stated events. The Agents may over-allot or effect transactions which stabilize or maintain the market price

of the Senior Notes at a level different than that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Senior Notes may not be offered or sold, directly or indirectly, in Canada or to or for the account of any Canadian resident except, in the case of sales made in any province of Canada, pursuant to an exemption from the prospectus requirements in Section 2.3 of NI 45-106 and, in the case of a purchaser resident in Ontario, section 73.3(2) of the *Securities Act* (Ontario), also known as the "accredited investor" exemption. In addition, Senior Notes will not be offered or sold, directly or indirectly, to individuals unless those individuals are also "permitted clients" within the meaning of NI 31-103.

Resale of the Senior Notes will be subject to restrictions under applicable securities legislation which vary depending on the relevant jurisdictions. **The Senior Notes may only be sold on a basis that is exempt from the prospectus requirements of applicable securities legislation through an appropriately registered dealer or pursuant to an exemption from the registration requirements of applicable securities legislation**. See *"Restrictions on Resale"*.

This confidential shelf offering memorandum does not constitute an offer to sell or a solicitation of an offer to buy any of the Senior Notes in the United States. The Senior Notes have not been and will not be registered under the U.S. Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the U.S. Securities Act) unless the Senior Notes are registered under the U.S. Securities Act and applicable state securities laws or an exemption therefrom is available. In addition, until 40 days after the commencement of an Offering, any offer or sale of the Senior Notes within the United States by any dealer (whether or not participating in an Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements of the U.S. Securities Act. Each Agent has agreed that, except as permitted by an Agency Agreement, it will not offer or sell the Senior Notes as part of the distribution of the Senior Notes at any time within the United States or to, or for the account or benefit of, U.S. persons.

RISK FACTORS

An investment in Senior Notes involves certain risks. Prospective investors in the Senior Notes should carefully consider all the information included in this confidential shelf offering memorandum, including the risks described below, before deciding to invest in the Senior Notes. This section does not describe all risks applicable to the Issuer and is intended only as a summary of certain material risks. In addition, prospective investors should consult their own financial and other legal and tax advisors, and should carefully consider, among other matters, the following discussion of risks before deciding whether to purchase Senior Notes.

Judicial, Legislative or Regulatory Risks

Future legal action might challenge or invalidate the FHPA or the Regulations and materially adversely affect a holder's investment in the Senior Notes.

The Investment Asset is a creation of the FHPA, which became effective on June 1, 2017. The Issuer will be the first Financing Entity under the FHPA to issue Funding Obligations as contemplated under the FHPA. The FHPA, the Regulations or any provisions thereof might be directly contested in courts or otherwise become the subject of litigation. The FHPA is novel legislation in Canada and therefore there are no precedents to rely on to support the validity of the FHPA or the Regulations.

As of the date of this confidential shelf offering memorandum, no such litigation has arisen; however, there can be no assurance that a lawsuit challenging the validity of some portion or all of the FHPA or the Regulations will not be filed in the future or that, if filed, such lawsuit will not be successful. If such a lawsuit was successful, and an invalidation of any relevant underlying legislative or regulatory provision were to result that did not constitute a Protection Event under the Change of Law Protection Agreement, a holder of Senior Notes may lose some or all of their investment in the Senior Notes or experience significant delays in recovering their investment in the Senior Notes. Even if the successful lawsuit constitutes a Protection Event, under the terms of the Change of Law Protection Agreement, the Province of Ontario is not obligated to pay or indemnify the Indenture Trustee or any

Specified Creditor for consequential, special or punitive damages, or for economic loss or loss of profits (provided that economic loss does not include any amount in respect of an amount due and payable to a Specified Creditor under the Limited Guarantee).

Future legislative action to change the FHPA, the Regulations, the Change of Law Protection Agreement or the electricity market might materially adversely affect a holder's investment in the Senior Notes.

The FHPA provides that no act or omission of the Crown shall be effective to reduce, impair, postpone or terminate the obligations of Specified Consumers to pay amounts in respect of the Clean Energy Adjustment or to impair or postpone the invoicing, collection or remittance of the Clean Energy Adjustment. Ontario does not have a referendum or initiative process by which the FHPA may be amended or repealed. Therefore, the only way for such provisions of the FHPA to be amended or repealed would be through a subsequent legislative action by the Province of Ontario. A determination by the Province of Ontario that, for political or other reasons, the FHPA or the Regulations should no longer be law in Ontario or that the FHPA or Regulations should be amended to limit or delay the recovery of Clean Energy Adjustments, could result in a decision to make such an amendment, repeal or revocation. Any such action that adversely affects the ability of the Issuer to receive amounts in respect of the Investment Interest so that it can pay Approved Obligations when due and payable (determined after taking into account certain factors described above in the definition of "Protection Event") would be subject to the Change of Law Protection Agreement. Under the Change of Law Protection Agreement, the Province of Ontario is not obligated to pay or indemnify the Indenture Trustee or any Specified Creditor for consequential, special or punitive damages, or for economic loss or loss of profits (provided that economic loss does not include any amount in respect of an amount due and payable to a Specified Creditor under the Limited Guarantee). See "*Change of Law Protection Agreement*". However, future legislative action by the Province of Ontario could also be taken that would have the effect of voiding or otherwise rendering invalid the Change of Law Protection Agreement.

Canada does not have any constitutional protection of property rights. While an adverse impact of statutory measures on private property has, in some circumstances, been judicially held to entitle property owners to compensation, such entitlements themselves can also be extinguished by legislation. Accordingly, if the provisions of the FHPA or the Regulations referenced in the previous paragraph were amended or revoked through subsequent legislative action of the Province of Ontario and future legislative action was also taken by the Province of Ontario that had the effect of voiding or otherwise rendering invalid the Change of Law Protection Agreement, a holder of Senior Notes may lose some or all of their investment in the Senior Notes or experience significant delays in recovering their investment in the Senior Notes.

Future judicial action could reduce the value of a holder's investment in the Senior Notes.

The Investment Asset is the creation of the FHPA. There is uncertainty associated with investing in Senior Notes payable from an interest in an asset that depends on legislation for its existence because there is no juridical or regulatory experience implementing and interpreting the legislation or similar legislation in Canada. Because the Investment Asset is a creation of the FHPA, any judicial determination interpreting the FHPA or the Investment Asset might have an adverse effect on a holder of Senior Notes' investment in the Senior Notes.

Potential difficulties in enforcing civil liabilities against the Province of Ontario may arise.

Under the *Proceedings Against the Crown Act* (Ontario), the remedies of injunction and specific performance are not available against the Province of Ontario, although the remedy of damages is available.[53] Nothing in the Change of Law Protection Agreement or the Program Agreements affects the rights, protections and immunities of the Crown under the *Proceedings Against the Crown Act* (Ontario). As a result, if the Province of Ontario fails to comply with the Change of Law Protection Agreement, the Indenture Trustee's ability to obtain an effective remedy

[53] **Note:** Consider mentioning that section 21 of the *Proceedings Against the Crown Act* (Ontario) prohibits execution, attachment and process against the Province.

against the Province of Ontario is limited and holders of Senior Notes may lose some or all of their investments in the Senior Notes or experience significant delays in recovering their investments.[54]

Risks Associated with the Unusual Nature of the Investment Asset

Clean Energy Adjustments will not be payable until May 1, 2021 and until such time the IESO will be the sole source of funds for payment on the Senior Notes.

During the Moratorium Period, no Clean Energy Adjustments are permitted to be collected from Specified Consumers. During the Moratorium Period, a holder of Senior Notes must rely for payment of interest on the Senior Notes, and the Issuer must rely for payment of all of its other Carrying Costs, solely upon the IESO who is obligated under the Regulations to pay these Carrying Costs. The IESO has granted the Issuer a first-priority security interest in all its accounts receivable from Electricity Vendors, which includes the amounts receivable by the IESO from Electricity Vendors with respect to the global adjustment charge, as security for the performance of its regulatory obligation to pay the Issuer's Carrying Costs. The IESO also has a $2 billion unsecured credit facility agreement with the Ontario Financing Authority, expiring ■, 20■, which is permitted to be used to pay the Issuer's Carrying Costs. ***[NTD: IESO credit facility description to be confirmed.]***[55] There can be no assurance that the IESO will continue to have sufficient funds available to pay interest on the Senior Notes or to pay the Issuer's other Carrying Costs during the Moratorium Period. If the Issuer enforces the security granted to the Issuer by the IESO during this period, there can be no assurance that the IESO's accounts receivable from Electricity Vendors will be sufficient to pay interest on the Senior Notes or the Issuer's other Carrying Costs and a holder of Senior Notes may suffer material payment delay on the Senior Notes during the Moratorium Period.

The Issuer's ability to enforce security granted by the IESO may be significantly impaired or delayed.

Under various Canadian bankruptcy, insolvency and restructuring statutes or Canadian federal or provincial receivership laws, including the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the *Canada Business Corporations Act*, the *Winding-up and Restructuring Act*, and various provincial corporate statutes (collectively, "**Canadian Insolvency and Restructuring Laws**"), the Issuer's ability to enforce security granted by the IESO may be significantly impaired or delayed. In view of the broad discretionary powers of courts under Canadian Insolvency and Restructuring Laws, it is not possible to predict how long payments of Carrying Costs by the IESO or enforcement of any letter of credit or performance guarantee provided by the IESO could be delayed following commencement of a proceeding under Canadian Insolvency and Restructuring Laws by the IESO or whether or when the Issuer would be able to repossess or dispose of the assets over which it holds a security interest. Canadian Insolvency and Restructuring Laws also contemplate the granting of super priority security interests or charges (which could be in priority to the security of existing secured creditors) on the assets of the debtor company to secure the repayment of any amounts to be borrowed to facilitate the insolvency proceeding, any amounts owing for the fees and costs of professionals involved in the insolvency proceeding, obligations of directors of the company with respect to their statutory liabilities and sometimes other amounts.

Canadian Insolvency and Restructuring Laws also contain provisions enabling an obligor to prepare and file a proposal or a plan of arrangement or reorganization for consideration by all or some of its creditors, to be voted on by the various classes of creditors affected thereby. Such a restructuring proposal or plan of arrangement or reorganization, if accepted by the requisite majority of each class of affected creditors and if approved by the relevant Canadian court, would be binding on all creditors of the applicable obligor within the affected classes, including the Issuer, whether or not the Issuer votes in favour of the restructuring proposal or plan of arrangement or reorganization. Such a proposal or plan of arrangement or reorganization may have the effect of compromising certain rights available to the Issuer with respect to the payment of Carrying Costs or enforcement of any security provided by the IESO under the Master Transfer and Servicing Agreement.

[54] **Note:** Consider mentioning, as a mitigant, that section 22 of the *Proceedings Against the Crown Act* (Ontario), which states that "the Minister of Finance shall pay out of the Consolidated Revenue Fund the amount payable by the Crown, (a) under an order of a court that is final and not subject to appeal; (b) under a settlement of a proceeding in a court…".

[55] **Note:** Is there any other information to be added apart from the expiry date?

A holder of Senior Notes may experience material payment delays because the source of funds for payment after the Moratorium Period is limited.

A holder of Senior Notes may suffer material payment delays on the Senior Notes if the collateral securing the Senior Notes is insufficient to pay the accrued interest on and the principal amount of those Senior Notes in full. During the Moratorium Period, a holder of Senior Notes must rely for payment of interest on the Senior Notes, and the Issuer must rely for payment of all of its other Carrying Costs, solely upon the IESO who is obligated under the Regulations to pay these Carrying Costs. After the Moratorium Period, the only source of funds for payments of interest on and principal of the Senior Notes will be the collateral. The collateral for the Senior Notes will include:

- the Investment Interest, including the right to impose, bill, collect and receive Clean Energy Adjustment amounts, inclusive of the True-up Amount;
- the cash and investments on deposit in the accounts held by the Indenture Trustee; and
- the Issuer's rights under various contracts described in this confidential shelf offering memorandum and under the FHPA and the Regulations.

The Senior Notes will not be insured or guaranteed by the Province of Ontario, the IESO, OPG or any of their respective affiliates, the Indenture Trustee or any other person or entity, except pursuant to the Limited Guarantee provided by the Province of Ontario upon the occurrence of a Protection Event and delivery by the Indenture Trustee to the Province of Ontario of a written payment demand. See *"Change of Law Protection Agreement"*. The Senior Notes will be limited recourse obligations, secured only by the collateral. See "*Capital Markets Platform — Acceleration and Remedies — Limited Recourse*". Delays in payment on the Senior Notes might result in a reduction in the market value of the Senior Notes and, therefore, the value of a holder's investment in the Senior Notes.

The Senior Notes do not constitute a debt, liability or other obligation of, or interest in, OPG or any of its other affiliates (other than the Issuer). The Senior Notes are not a debt, liability or other obligation of the Province of Ontario or any of its political subdivisions, agencies or instrumentalities.

A holder of Senior Notes must rely for payment of principal of and interest on the Senior Notes solely upon the FHPA and the Regulations, rights to enforcement of the FHPA, the Regulations and of various agreements described in this confidential shelf offering memorandum, collections of Clean Energy Adjustment amounts and cash and investments on deposit in the related accounts held pursuant to the Master Trust Indenture.

The Clean Energy Adjustment may not be billed after April 30, 2047, unless further regulations to extend that date are passed.

The Clean Energy Adjustment may not be billed to Specified Consumers after April 30, 2047, unless further regulations to extend that date are passed. If Clean Energy Adjustment amounts billed through this period are not sufficient to repay the Senior Notes in full and further regulations to extend this date are not passed, apart from amounts in the capital accounts, if any, no other funds will be available to pay the unpaid balance due on the Senior Notes.

Foreclosure of the Indenture Trustee's lien on the Investment Interest securing the Senior Notes might not be practical and acceleration of the Senior Notes before maturity might have little practical effect.

Under the Master Trust Indenture, the Indenture Trustee on behalf of the holders of Senior Notes and other creditors has the right to foreclose or otherwise enforce the lien granted to the Indenture Trustee by the Issuer on the collateral securing the Senior Notes. However, in the event of foreclosure, there is likely to be a limited market, if any, for the collateral. Therefore, foreclosure might not be a realistic or practical remedy. Moreover, although principal of the Senior Notes will be due and payable upon acceleration of the Senior Notes before maturity, under the Regulations, the amount of the Clean Energy Adjustment may not be increased to take into account such acceleration (subject to limited exceptions depending on the Fair Allocation Amount at the time). As a result, this limitation on increases to the Clean Energy Adjustment at the time of any acceleration of the Senior Notes prior to maturity will result in

principal of the Senior Notes being paid on acceleration as funds become available. However, upon such acceleration, the priority of principal payments to creditors of the Issuer will result in all accelerated Senior Notes being repaid in full before any further payments of principal are made to holders of subordinated indebtedness of the Issuer. In the event of an acceleration, holders of Senior Notes may be paid sooner or later than originally expected.

The Issuer may issue multiple Series of Senior Notes secured by the Investment Interest and some decisions affecting holders of Senior Notes may require the approval of all Series.

The Issuer may issue multiple Series of Senior Notes all of which will be secured by the collateral securing the Senior Notes. The Issuer may not issue additional Series of Senior Notes if the issuance would not satisfy the Rating Agency Condition and certain other conditions precedent in the Master Trust Indenture. See *"Capital Markets Platform — Conditions Precedent to Incurrence of Obligations Secured — Issuer Funding Obligations"*. If additional Series of Senior Notes are issued, Clean Energy Adjustment amounts collected by or for the benefit of the Issuer will be prorated among the Series of Senior Notes based on the respective amounts of interest and principal due and payable or required to be accumulated in respect of each Series of Senior Notes. Any issuance of additional Series of Senior Notes by the Issuer could cause reductions or delays in payment on the Senior Notes. In addition, some matters relating to the Senior Notes issued by the Issuer may require the vote of the holders of all Series of Senior Notes. The interests of holders of a particular Series of Senior Notes in these votes might conflict with the interests of the holders of another Series of Senior Notes. Thus, these votes could result in an outcome that is materially unfavorable to holders of a particular Series of Senior Notes.

The Master Trust Indenture contains Events of Default (other than those pertaining to the insolvency of the Issuer or invalidity of the Change of Law Protection Agreement) that can only be declared by Debtholders who hold at least 25% of the outstanding Controlling Class Obligations. If any such Event of Default has occurred and is continuing, Debtholders who hold at least 50% of the outstanding Controlling Class Obligations may accelerate all Issuer Funding Obligations (other than Derivative Funding Obligations). However, it is possible for individual Series of Senior Notes to have their own acceleration events such that those individual Series of Senior Notes may be accelerated while other Series of Issuer Funding Obligations would not be accelerated. In such a case, (i) the allocation of Available Collections to the holders of accelerated Series of Issuer Funding Obligations in a Class would be higher relative to the non-accelerated Series of Issuer Funding Obligations of that Class than it would otherwise be, and (ii) after payment in full of accelerated Senior Notes and other Senior Funding Obligations and once all amounts due and payable on non-accelerated Senior Notes and other Senior Funding Obligations have been satisfied on any principal payment date, amounts remaining for payment of principal would be allocated to the repayment of principal on both accelerated and non-accelerated subordinated debt, as applicable. In certain cases, a declaration of acceleration or an automatic acceleration may also be rescinded by Extraordinary Resolution if (i) the Issuer has paid all overdue interest, principal that has become due (other than by reason of acceleration) on Controlling Class Obligations and other amounts set out in the Master Trust Indenture, and (ii) all Events of Default (other than non-payment of principal) have been cured or waived. See *"Capital Markets Platform — Acceleration and Remedies — General"*.

If a Series of Senior Notes or all Senior Notes are accelerated, a holder of Senior Notes might receive payment of principal sooner or later than expected.

Under certain circumstances it is possible that all outstanding Senior Notes will be accelerated as a Class or that certain Series of Senior Notes will be accelerated while other Series of Senior Notes will not be accelerated. See *"Capital Markets Platform – Acceleration and Remedies"*. The possibility of certain Series of Senior Notes accelerating while other Series of Senior Notes do not accelerate would arise if (i) an Event of Default occurs but Noteholders holding at least 50% of all outstanding Senior Notes do not approve the acceleration of all outstanding Senior Notes, and (ii) holders of Senior Notes of a particular Series approve the acceleration of the Senior Notes of that Series by the requisite majority of holders of that Series as set out in the applicable supplemental indenture for that Series.

If all Senior Notes are accelerated the application of available funds will be as described under *"Capital Markets Platform – Acceleration and Remedies"* for all Senior Notes. It is possible that holders of 50% or more of the outstanding principal balance of all Senior Notes will approve the acceleration of all Senior Notes even if holders of a particular Series of Senior Notes do not vote in favour of the acceleration of the Senior Notes of that Series.

If only certain Series of Senior Notes are accelerated, then the outstanding principal balance of those Series of Senior Notes will become immediately due and payable but the payment due dates of those Series of Senior Notes that have not been accelerated will not change. In this case, the application of available funds will continue as described under *"Capital Markets Platform -- Payment Waterfalls Prior to Acceleration"*.

Where all Series of Senior Notes or only certain Series of Senior Notes are accelerated, available funds that would otherwise be used to pay the principal amount of subordinated indebtedness will be applied to repay principal of the accelerated Senior Notes. This could result in a holder of Senior Notes that have been accelerated receiving payment of principal sooner than expected. If a Series of Senior Notes has not been accelerated, the payment of principal on such Senior Notes should not occur earlier than expected as the payment due dates for such Senior Notes will not have been accelerated.

Where all Series of Senior Notes or only certain Series of Senior Notes are accelerated, available funds that would otherwise be used to pay the principal amount of the Senior Notes in accordance with the original repayment schedules of such Senior Notes may be applied to repay principal of the accelerated Senior Notes *pari passu* with the principal due on all outstanding Senior Notes (subject to the payment priority given to Warehouse Funding Obligations). If accelerated Senior Notes were not expected to be repaid before a particular Series of Senior Notes at the time the accelerated Senior Notes were issued, the acceleration of such Senior Notes could result in the holder of a particular Series of Senior Notes receiving payment of principal later than expected.

The Issuer may have a co-ownership interest in the Investment Asset with other Financing Entities.

The FHPA authorizes the establishment of one or more Financing Entities that may incur Funding Obligations for the purpose of acquiring an Investment Interest. The Master Trust Indenture does not contain any restrictions on the establishment of other Financing Entities or any restrictions on the transfer by the IESO of a specified portion of the Regulatory Asset to other Financing Entities. If additional Funding Obligations are incurred by other Financing Entities to acquire an Investment Interest, Clean Energy Adjustment amounts collected by or for the benefit of the Issuer will be prorated among all Investment Interest owners based on the respective amounts of Clean Energy Adjustment amounts invoiced and not yet paid. Any issuance of Funding Obligations by other Financing Entities could cause reductions or delays in payment on the Senior Notes.[56]

[56] **Note:** Consider explaining under this risk factor that the Investment Asset is a bundle of rights and interests held collectively by all investment interest owners.

If the Clean Energy Adjustment amounts and other funds held in the Issuer Accounts results in investment losses or the investments become illiquid, a holder of Senior Notes might receive payment of principal of and interest on the Senior Notes later than expected.

Funds held in the Issuer Accounts will be invested in Eligible Investments. Eligible Investments include, among other categories, money market funds having a rating in the highest investment category from each applicable Rating Agency. Although investments in these money market funds have traditionally been viewed as highly liquid with a low probability of principal loss, illiquidity and principal losses have been experienced by investors in certain of these funds as a result of disruptions in the financial markets in recent years. If investment losses or illiquidity are experienced, a holder of Senior Notes might experience a delay in payments of principal and interest and a decrease in the value of their investment in the Senior Notes.

Servicing, Operating and Consumer Risks

Payments on the Senior Notes depend on the performance of Electricity Vendors and the IESO.

The Issuer's receipt of Clean Energy Adjustment amounts, which will be used to make payments on the Senior Notes, will depend in part on the skill and diligence of Electricity Vendors and the IESO and their respective successors in performing their respective duties under the FHPA, the Regulations and, with respect to the IESO, the Master Transfer and Servicing Agreement.

The FHPA, the Regulations and the Program Agreements impose new duties and obligations of the IESO and Electricity Vendors. There can be no assurances that the new duties and obligations of the IESO and the Electricity Vendors will be assumed and implemented without difficulty and in accordance with the provisions of the FHPA, the Regulations and the Program Agreements. If the IESO ceases to perform, or inadequately performs, its collection, remittance, forecasting and other functions under the terms of the FHPA, the Regulations and the Master Transfer and Servicing Agreement, it might be difficult to enforce these obligations against the IESO. While the Indenture Trustee has the right to replace the IESO, as servicer, on an Event of Default upon receipt of an Ordinary Resolution, it might be difficult to find a replacement for the IESO or a successor servicer. Also, any successor servicer might have less experience and ability than the IESO and might experience difficulties in collecting Clean Energy Adjustment amounts or forecasting consumption, resulting in delays or disruptions to the setting and collection of the Clean Energy Adjustment. Any successor servicer would likely charge fees for the provision of such services and such fees could be material.

If an Electricity Vendor or the IESO fails to collect or remit sufficient Clean Energy Adjustment amounts for any reason, then the IESO's payments to the Issuer in respect of the Clean Energy Adjustments might be delayed or reduced. In that event, payments on the Senior Notes might be delayed or reduced. In addition, any person into which the IESO may be merged, converted or amalgamated or that may succeed to the properties and assets of the IESO substantially as a whole will assume the role of servicer under the Master Transfer and Servicing Agreement, subject only to the satisfaction of the conditions set forth therein. These conditions do not include either the consent of holders of Senior Notes or satisfaction of the Rating Agency Condition.

Payments on the Senior Notes depend on the performance of OPG as Financial Services Manager and as Manager of the Issuer.

The FHPA, the Regulations and the Program Agreements impose new duties and obligations of OPG, as Financial Services Manager and as Manager of the Issuer. There can be no assurances that the new duties and obligations of OPG will be assumed and implemented without difficulty and in accordance with the provisions of the FHPA, the Regulations and the Program Agreements. If OPG, as Financial Services Manager, ceases to perform, or inadequately performs, its statutory duties under the FHPA and the Regulations, including determining the Clean Energy Adjustment (inclusive of the True-Up Amount), the Indenture Trustee will have no right to replace OPG as Financial Services Manager. If OPG ceases to perform, or inadequately performs, its management duties under the Management Agreement, the Indenture Trustee has the right to replace the Manager on an Event of Default upon receipt of an Ordinary Resolution but it might be difficult to find a replacement for OPG or a successor manager. Also, any successor manager might have less experience and ability than OPG, resulting in delays or disruptions to

the setting and collection of the Clean Energy Adjustment. Any successor manager would likely charge fees for the provision of such services and such fees could be materially higher than the fees charged by OPG.

Inaccurate consumption forecasting or unanticipated delinquencies or write-offs might reduce or delay scheduled payments on the Senior Notes.

Clean Energy Adjustment amounts will be calculated in part based upon a forecast of Specified Consumer usage to be newly developed by the IESO[, adjusted for expected billing lags and charge-offs] [including the effect of delinquencies and write-offs] ***[Confirm whether the IESO forecast takes into account items noted in square brackets.]***. Under the Regulations, the IESO is required to provide to the OEB forecast information regarding electricity consumption of Specified Consumers. The amount and the rate of the Clean Energy Adjustment will depend in part on actual electricity usage and the amount of collections and write-offs for Specified Consumers.[57] If the IESO or a successor inaccurately forecasts electricity consumption or if OPG uses inaccurate consumer delinquency or write-off data when setting or adjusting the Clean Energy Adjustment, there could be a shortfall or material delay in collections, which might result in missed or delayed payments of principal and interest on the Senior Notes.

Inaccurate forecasting of electricity consumption by the IESO might result from, among other things unanticipated weather, resulting in less electricity consumption than forecast; general economic conditions being worse than expected, causing Specified Consumers to reduce their electricity consumption; the occurrence of a natural disaster, wind storm or an act of terrorism, cyber-attack or other catastrophic event unexpectedly disrupting electrical service and reducing electricity consumption; unanticipated changes in the market structure of the electric industry; Specified Consumers unexpectedly ceasing business or departing from the Province of Ontario; dramatic and unexpected changes in energy prices resulting in decreased electricity consumption; Specified Consumers consuming less electricity than anticipated because of increased energy prices, unanticipated increases in conservation efforts or unanticipated increases in electricity consumption efficiency; differences or changes in forecasting methodology; or Specified Consumers switching to alternative sources of energy, including self-generation or co-generation of electric power in some cases without using Ontario's transmission or distribution system. Self-generators that receive no transmission or distribution service from the Province of Ontario are not liable for the Clean Energy Adjustment. Neither the FHPA nor the Regulations require exit fees to be charged to any Specified Consumers that might leave the grid to self-generate.

Inaccurate forecasting of delinquencies or write-offs by OPG could result from, among other things unexpected deterioration of the economy, the occurrence of a natural disaster, an act of war or terrorism or other catastrophic events causing greater write-offs than expected or forcing Electricity Vendors to grant additional payment relief to Specified Consumers; the failure of Electricity Vendors to submit accurate and timely information to the IESO regarding their collections and write-offs; an unexpected change in law that makes it more difficult for Electricity Vendors to terminate service to nonpaying Specified Consumers, or that requires Electricity Vendors to apply more lenient credit standards for Specified Consumers.

Changes to billing and collection practices may reduce the amount of funds available for payments on the Senior Notes.

The methodology for determining the amount of the Clean Energy Adjustment invoiced to each Specified Consumer is specified in the FHPA and the Regulations. None of OPG, the IESO or any Electricity Vendor, as it performs its billing and collection functions on the Issuer's behalf, may change this methodology. However, subject to applicable law, tariff and regulatory requirements, billing and collection arrangements with each Specified Consumer may be changed in a manner that delays or reduces the payments to the Issuer in respect of the Clean Energy Adjustment. For example, an Electricity Vendor's conditions of service may permit it to offer equal monthly billing plans to its consumers thereby delaying payments from one month to the next during the year or to enter into arrangements for the payment of arrears. In that event, collection of the Clean Energy Adjustment may be delayed or reduced until an adjustment is made.

[57] **Note:** Please confirm.

Limits on rights to terminate service to Specified Consumers might make it more difficult to collect the Clean Energy Adjustment.

To the extent that Specified Consumers do not pay for their electricity service, Electricity Vendors will not be able to collect the Clean Energy Adjustment from these Specified Consumers. Electricity Vendors have the ability to terminate service for non-payment subject to the terms of their conditions of service, which conditions must be consistent with the OEB's rules regarding disconnection. Under OEB rules, Electricity Vendors are prohibited from disconnecting or threatening to disconnect homes for non-payment during the winter from November 15 to April 30 every year. Historical rates of non-payment are included in the calculations of the Clean Energy Adjustment, but increases in the rates of non-payment would reduce the Clean Energy Adjustment until it is adjusted through the True-up Amount in a subsequent Reference Period.

It might be difficult for the Issuer to collect the Clean Energy Adjustment from Specified Consumers

Under the FHPA, the Issuer may bring an action against a Specified Consumer for non-payment of the Clean Energy Adjustment, but only an Electricity Vendor may terminate service for failure to pay the Clean Energy Adjustment.[58] The FHPA provides that partial payment of electricity invoices shall be allocated pro rata among the Clean Energy Adjustment and other charges on the invoice. Since the Issuer does not have the threat of termination of service available to enforce payment of the Clean Energy Adjustment, it would need to rely on the Electricity Vendor to threaten to terminate service for nonpayment of other portions of the electricity invoice. This inability might reduce the value of a holder's investment in the Senior Notes.

Indemnification obligations of OPG and the IESO are limited and might not be sufficient to protect the investments in the Senior Notes.

OPG will be obligated under the Management Agreement to indemnify the Issuer and the Indenture Trustee, for itself and on behalf of the holders of Senior Notes and other creditors, only in specified circumstances. Likewise, the IESO will be obligated under the Master Transfer and Servicing Agreement and the Acknowledgement and Indemnity Agreement to indemnify the Issuer and the Indenture Trustee, for itself and on behalf of the holders of Senior Notes and other creditors, only in specified circumstances.

Furthermore, neither OPG nor the IESO may have sufficient funds available to satisfy its indemnification obligations, and the amount of any indemnification paid by OPG or the IESO, as applicable, might not be sufficient for holders of Senior Notes to recover all of their investment in the Senior Notes. In addition, if OPG or the IESO becomes obligated to indemnify holders of Senior Notes, the ratings on the Senior Notes might be downgraded as a result of the circumstances causing the breach and the fact that holders of Senior Notes will be unsecured creditors of OPG or the IESO, as applicable, with respect to any of these indemnification amounts. Neither OPG nor the IESO will indemnify any person for any loss, damages, liability, obligation, claim, action, suit or payment resulting solely from a downgrade in the ratings on the Senior Notes, or for any consequential damages, including any loss of market value of the Senior Notes resulting from a default or a downgrade of the ratings of the Senior Notes.

Delinquent or partial payments of electricity bills may make payments on the Senior Notes occur later than expected.

The amount and the rate of collection of the Clean Energy Adjustment, including the True-up Amount, will impact whether there is a delay in the scheduled payments on the Senior Notes. If the Clean Energy Adjustment amounts are collected at a slower rate than expected, OPG might have to make adjustments to the Clean Energy Adjustment for a subsequent Reference Period through the True-Up Amount. If those adjustments are not timely and accurate, there may be a delay in payments of principal and interest and a decrease in the value of the Senior Notes.

Power outages could impair payment of the Senior Notes.

Ontario experiences seasonal conditions typical of southeastern Canada. Summers are usually hot with high temperatures in excess of 20°C. Winters include snow and icing conditions that can be damaging to overhead power

[58] **Note:** Please confirm source/ conform to wording in FHPA.

lines. Transmission and/or distribution and generation facilities could be damaged depending on weather conditions and usage of electricity could be interrupted temporarily or for long periods of time, reducing the Clean Energy Adjustment amounts collected in one or more Reference Periods.

Technological changes that make alternative energy sources more attractive in the future or significant population fluctuations may result in fewer Specified Consumers from whom to collect the Clean Energy Adjustment.

Technological developments and/or tax or other economic incentives might result in the introduction of economically attractive, more fuel-efficient, more environmentally-friendly and/or more cost-effective alternatives to purchasing electricity through Electricity Vendors for increasing numbers of Specified Consumers. Manufacturers of self-generation facilities may develop smaller-scale, more fuel-efficient on-site generating and/or storage units that can be cost-effective options for a greater number of Specified Consumers. Moreover, an increase in self-service power may result if extreme weather conditions result in regular shortages of grid-supplied energy or if other factors cause grid-supplied energy to be less reliable. Specified Consumers who self-generate their electricity may use it to offset, or eliminate, their consumption from the grid thereby reducing, or eliminating, the Clean Energy Adjustment amounts payable by such Specified Consumers. Technological developments might allow greater numbers of Specified Consumers to reduce or even altogether avoid the payment of Clean Energy Adjustment amounts under such provisions through on-site generation, including where coupled with on-site storage capacity. This might reduce the kilowatt-hours of electric energy delivered to Specified Consumers by means of an Electricity Vendor's system, thereby causing Clean Energy Adjustment charges to the remaining Specified Consumers to increase. Such increases may reduce the collectability of the Clean Energy Adjustment.

Unexpected significant population decreases in the Province of Ontario or Specified Consumers unexpectedly ceasing business or departing from the Province of Ontario may adversely affect the amount of the Clean Energy Adjustment to be invoiced, collected and recovered from Specified Consumers. The decrease in the population of the Province of Ontario may result in fewer Specified Consumers from whom to collect the Clean Energy Adjustment. The increased impact on the remaining Specified Consumers could lead to increased potential consumer defaults and delays, billing lags and write-offs or variations in billing due to variations in electricity consumption.

Insolvency-Related Risks

If the Issuer were to become subject to Canadian Insolvency and Restructuring Laws, the Indenture Trustee's ability to enforce security granted by the Issuer may be significantly impaired or delayed.

Trusts such as the Issuer ordinarily cannot seek protection under the principal Canadian Insolvency and Restructuring Laws (other than a receivership). However, in view of the broad discretionary powers of courts under Canadian Insolvency and Restructuring Laws, the courts' inherent jurisdiction and otherwise, it is not possible to state with certainty that the Issuer could not become subject to Canadian Insolvency and Restructuring Laws. If the Issuer were to become subject to Canadian Insolvency and Restructuring Laws, the Indenture Trustee's ability to enforce security granted by the Issuer may be significantly impaired or delayed. It is not possible to predict how long payments under the Senior Notes could be delayed following commencement of a proceeding under Canadian Insolvency and Restructuring Laws by the Issuer or whether or when the Indenture Trustee would be able to enforce upon or dispose of the assets over which it holds a security interest. Canadian Insolvency and Restructuring Laws also contemplate the granting of super priority security interests or charges (which could be in priority to the security of existing secured creditors) on the assets of the debtor company to secure the repayment of any amounts to be borrowed to facilitate the insolvency proceeding, any amounts owing for the fees and costs of professionals involved in the insolvency proceeding, obligations of directors of the company with respect to their statutory liabilities and sometimes other amounts.

Canadian Insolvency and Restructuring Laws also contain provisions enabling an obligor to prepare and file a proposal or a plan of arrangement or reorganization for consideration by all or some of its creditors, to be voted on by the various classes of creditors affected thereby. Such a restructuring proposal or plan of arrangement or reorganization, if accepted by the requisite majority of each class of affected creditors and if approved by the relevant Canadian court, would be binding on all creditors of the applicable obligor within the affected classes, including the Indenture Trustee and the Noteholders, whether or not the Indenture Trustee or any holders of Senior

Notes votes in favour of the restructuring proposal or plan of arrangement or reorganization. Such a proposal or plan of arrangement or reorganization may have the effect of compromising certain rights available to the Indenture Trustee and the holders of Senior Notes under the Master Trust Indenture or in respect of the collateral.

If the IESO were to become subject to Canadian Insolvency and Restructuring Laws, the transfers between the IESO and the Issuer pursuant to the Master Transfer and Servicing Agreement may not be respected as true sales of the Investment Interest.

Ordinarily, the interests of the Issuer as transferee of the Investment Interest may be subordinate to statutory deemed trusts and other non-consensual liens, trusts and claims created or imposed by statute or rule of law on the property of the IESO arising prior to the time an Investment Interest is transferred to the Issuer, which could reduce the amounts that may be available to the Issuer and, consequently, the holders of Senior Notes. Section 27(3) of the FHPA provides that at the time of the transfer to a Financing Entity under the FHPA, such transfer shall be deemed to have been perfected, vested, valid and binding against the IESO and all other persons who have claims of any kind against the IESO. Section 27(4) of the FHPA provides that section 27(3) applies regardless of whether the persons who have claims have received notice of the transfer and the property rights and interests acquired by the transferee shall have priority over any liens in favour of those persons. However, in the event that the IESO becomes insolvent, its insolvency would be subject to federal bankruptcy and insolvency legislation and the effect of these provisions of the FHPA in such circumstances is untested. The IESO will treat the transactions described herein as a transfer of the Regulatory Asset to the Issuer. Such transfers will be made in accordance with Section 26 of the FHPA. Section 27(1) of the FHPA provides that a transfer of a specified portion of the Regulatory Asset under section 26 constitutes a valid and enforceable absolute assignment, conveyance and sale of the corresponding Investment Interest to the transferee. As a transfer, the Investment Interest would not form part of the assets of the IESO and would not be available to the creditors of the IESO. However, with respect to certain insolvency events relating to the IESO, it is possible that an insolvency administrator or a creditor of the IESO may attempt to argue that the transactions between the IESO and the Issuer are not true sales of the Investment Interest. This position, if accepted by a court applying federal bankruptcy and insolvency laws, could prevent timely or ultimate payment of amounts due to the Issuer and, consequently, due from the Issuer to holders of Senior Notes.

These risks are in addition to the insolvency risks of the IESO noted above under "*Risks Associated with the Unusual Nature of the Investment Asset*".

If the IESO or any Electricity Vendor were to become subject to Canadian Insolvency and Restructuring Laws, collections that have been commingled may be unrecoverable and the Issuer's ability to enforce its rights against the IESO may be significantly impaired or delayed.

While the IESO is the servicer under the Master Transfer and Servicing Agreement, collections held by the IESO are to be held by the IESO in a segregated account. Until Clean Energy Adjustments are remitted to the IESO by Electricity Vendors, amounts collected by the Electricity Vendors are to be held by Electricity Vendors in segregated accounts. If the IESO or any Electricity Vendor fails to hold collections in a segregated account, then to the extent that funds are commingled and used for the benefit of the IESO or such Electricity Vendor prior to making required deposits, in the event of the liquidation, insolvency, receivership or administration or other proceeding under Canadian Insolvency and Restructuring Laws of the IESO or the Electricity Vendor, the ability of the Issuer to enforce its rights to the collections in a timely manner may be adversely affected and collections that have been commingled may be unrecoverable. In the event of the insolvency of the IESO, the right of the Issuer under the Master Transfer and Servicing Agreement to appoint a replacement servicer may be stayed or prevented.

These risks are in addition to the insolvency risks of the IESO noted above under "*Risks Associated with the Unusual Nature of the Investment Asset*".

If OPG were to become subject to Canadian Insolvency and Restructuring Laws, the Issuer's ability to enforce its rights against the Manager may be significantly impaired or delayed and the Issuer's assets and liabilities may be substantively consolidated with those of OPG.

Section 53.1 of the *Electricity Act, 1998* (Ontario), as amended by the FHPA, provides that, regardless of whether a Financing Entity is or is not a subsidiary of OPG: (a) the assets and liabilities of the Financing Entity shall not form

part of the assets and liabilities of OPG or any of its subsidiaries (excluding the Financing Entity if it is a subsidiary); and (b) the assets and liabilities of OPG or any of its subsidiaries (excluding the Financing Entity if it is a subsidiary) shall not form part of the assets and liabilities of the Financing Entity. However, in the event that OPG becomes insolvent, its insolvency would be subject to federal bankruptcy and insolvency legislation and the effect of these provisions of the *Electricity Act, 1998* (Ontario), as amended by the *Fair Hydro Act, 2017*,[59] in such circumstances is untested. In particular, in the event of the liquidation, insolvency, receivership or administration or other proceeding under Canadian Insolvency and Restructuring Laws of OPG, the ability of the Issuer to enforce certain of its rights in and to the Investment Interest in a timely manner may be adversely affected. Such affected rights may include the right to appoint a replacement Manager. It is possible that the creditors of OPG may attempt to substantively consolidate the assets and liabilities of OPG and the Issuer. The Issuer and OPG have taken steps to minimize this risk. However, no assurance can be given that, in the case of the insolvency of OPG, a court would not order that the Issuer's assets and liabilities be substantively consolidated with those of OPG. Such substantive consolidation would result in all creditors of OPG and the Issuer being paid out of a common pool of assets, with no distinction as to which assets are property of OPG and which assets are property of the Issuer, and could cause payment of the claims of the beneficial owners of the Senior Notes to be subject to substantial delay and to adjustment in timing and amount.

If the Issuer Trustee were to become subject to Canadian Insolvency and Restructuring Laws, the assets and liabilities of the Issuer may be substantively consolidated with the Issuer Trustee.

In the case of the insolvency of the Issuer Trustee, it is possible that the creditors of the Issuer Trustee may attempt to argue that the assets of the Issuer are held by the Issuer Trustee in its personal capacity (and not as trustee of the Issuer) and are to be available to the creditors of the Issuer Trustee. Assuming that the Issuer Trustee deals with the assets of the Issuer in accordance with the provisions of the Declaration of Trust, the assets of the Issuer would not constitute property of the Issuer Trustee available for distribution to the creditors of the Issuer Trustee. An insolvency administrator appointed with respect to the Issuer Trustee may be able to recover from the property of the Issuer a portion of its costs that are incurred until a replacement for the Issuer Trustee, as trustee of the Issuer, is appointed or pending any proceeding in respect of the property of the Issuer. Such costs may exceed the compensation provided for in the Declaration of Trust.

If a Specified Consumer were to become subject to Canadian Insolvency and Restructuring Laws, the Issuer's ability to collect Clean Energy Adjustment amounts from such Specified Consumer may be adversely affected.

The application to a Specified Consumer of Canadian Insolvency and Restructuring Laws and related provincial laws could also affect the ability to collect the Clean Energy Adjustments due for the period prior to the insolvency. Federal bankruptcy laws would generally discharge bankrupt Specified Consumers who are individuals of their obligation to pay Clean Energy Adjustment amounts due for the period prior to the individual being discharged from bankruptcy.

If amounts in the Issuer Accounts for any Series are invested with entities that become subject to insolvency proceedings, the Issuer's ability to make payments to holders of Senior Notes may be adversely affected.

Amounts that are on deposit from time to time in the Issuer Accounts for any Series may be invested in Eligible Investments. If insolvency proceedings were to be commenced by or against any entity with which an Eligible Investment is made or which is an issuer, obligor or guarantor of any Eligible Investment, the ability of the Indenture Trustee to enforce its rights in respect of any such Eligible Investment and the ability of the Issuer to make payments to holders of Senior Notes in a timely manner may be adversely affected. In order to reduce this risk, the Eligible Investments must satisfy certain ratings criteria. See *"Rating Agency Condition"*.

[59] The *Fair Hydro Act, 2017* (Ontario), which provided in Schedule 1 the *Ontario Fair Hydro Plan Act, 2017*, amends two other statutes: the *Electricity Act, 1998* (see section 43) and the *Ontario Energy Board Act, 1998* (see section 44).

Other Risks

The credit ratings are not an indication of the expected rate of payment of principal on the Senior Notes.

The Senior Notes will be rated by one or more established rating agencies. A rating is not a recommendation to buy, sell or hold the Senior Notes. The ratings merely analyze the probability that the Issuer will repay the total principal amount of each series of Senior Notes at its final principal payment date (which is later than the Principal Payment Date(s)) and will make timely interest payments. The ratings are not an indication that the rating agencies believe that principal payments are likely to be paid on time according to any expected sinking fund schedule. Thus, the Issuer might repay the principal of a holder of Senior Notes later than expected, which might materially reduce the value of a holder's investment in the Senior Notes.

If the ratings on the Senior Notes are withdrawn or revised downward, the value of a holder's investment in the Senior Notes may be adversely affected.

There is no assurance that any credit rating will remain in effect for any given period of time. The ratings on the Senior Notes may be withdrawn or revised downward at any time without notice, which may have an adverse effect on the market price of the Senior Notes. A rating is not a recommendation to buy, sell or hold the Senior Notes. The ratings merely analyze the probability that the Issuer will repay the total principal amount of each series of Senior Notes at its final principal payment date (which is later than the Principal Payment Date(s)) and will make timely interest payments. The ratings are not an indication that the rating agencies believe that principal payments are likely to be paid on time according to any expected sinking fund schedule. Ratings on the Senior Notes may be lowered, qualified or withdrawn at any time without notice.

The credit ratings of the IESO, OPG and the Province of Ontario might affect the market value of the Senior Notes.

The Senior Notes will not be insured or guaranteed by the Province of Ontario, IESO, OPG or any of their respective affiliates or any other person or entity, except that the Province of Ontario has agreed to provide a limited guarantee in respect of the Senior Notes following the occurrence of certain events. See *"Change of Law Protection Agreement"*. Although neither the IESO nor OPG are obligors in respect of the Senior Notes, a downgrading of the current credit ratings of the IESO, OPG or the Province of Ontario might have an adverse effect on the market value of the Senior Notes, particularly, with respect to the IESO, during the Moratorium Period when no Clean Energy Adjustments are permitted to be collected from Specified Consumers. Credit ratings might change at any time. A rating agency has the authority to revise or withdraw its rating based solely upon its own judgment.

The absence of an established market for the Senior Notes might limit the ability to resell or refinance the Senior Notes.

There is no public market for the Senior Notes, and the Issuer does not intend to apply for a listing of the Senior Notes on any stock exchange. There can be no assurance as to the liquidity of the trading market for the Senior Notes or that a trading market for the Senior Notes will develop.

There is currently no secondary market for the Senior Notes. There can be no assurance that a secondary market will develop or, if a secondary market does develop, that it will provide holders of such Senior Notes with liquidity for their investment or that it will continue for the term of such Senior Notes. Accordingly, purchasers of the Senior Notes may be required to bear the financial risk of investing in the Senior Notes until the maturity date of the Senior Notes.

If an active market does develop for the Senior Notes, the market price on the Senior Notes will depend on many factors including, but not limited to, (i) the Issuer's credit rating and the credit rating of the Senior Notes; (ii) the prevailing interest rates being paid on similar securities; (iii) the Issuer's financial condition and future prospects; and (iv) the overall condition of the economy and the financial markets. The condition of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations could have an adverse effect on the market price of the Senior Notes.

The Financial Services Manager has the ability to determine whether to refinance Senior Notes maturing after May 2024 through the issuance of another Series of Senior Notes. However, there can be no assurance that Senior Notes can be refinanced on or before their applicable Principal Payment Default Date.

Restrictions on resale might limit the ability to resell the Senior Notes.

The Senior Notes may not be offered or sold, directly or indirectly, in Canada or to or for the account of any Canadian resident except, in the case of sales made in any province of Canada, pursuant to an exemption from the prospectus requirements under applicable securities laws. The Issuer currently does not intend to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Senior Notes to the public in any province of Canada in connection with any Offering of Senior Notes. As a result, the Senior Notes purchased pursuant to this confidential shelf offering memorandum will be subject to restrictions on resale, and may only be resold if a further statutory exemption may be relied upon by the investor or if an appropriate discretionary order or consent is obtained pursuant to applicable securities laws. See "Restrictions on Resale".

REPRESENTATIONS AND AGREEMENTS OF PURCHASERS

The distribution of the Senior Notes in Canada is being made on a private placement basis. By purchasing Senior Notes and accepting a purchase confirmation in respect thereof, a purchaser in Canada will be deemed to have represented to the Issuer and the Agents that, as at the date of such purchaser's purchase of Senior Notes:

(a) none of the Issuer, the Agents or any person representing the Issuer or the Agents has made any representations to it (written or oral) with respect to the Issuer, any Offering or sale of the Senior Notes, other than the information contained in this confidential shelf offering memorandum which has been delivered to it;

(b) it is resident in a province of Canada (each an "**Offering Jurisdiction**") and is entitled under applicable securities laws of such Offering Jurisdiction to purchase the Senior Notes without the benefit of a prospectus qualified under those securities laws and any act, solicitation, conduct or negotiation directly or indirectly in furtherance of such purchase and sale has occurred only in one of the provinces of Canada;

(c) the purchaser has been provided the opportunity to receive a copy of the Master Trust Indenture and each of the Supplemental Indentures;

(d) the purchaser has reviewed and acknowledges the terms referred to below under the section entitled "Restrictions on Resale";

(e) it is basing its investment decision solely on this confidential shelf offering memorandum and not on any other information or statement concerning the Issuer or any Offering and it has not become aware of any advertisement in printed media of general and regular paid circulation (or other printed public media), radio, television or telecommunications or other form of advertisement (including electronic display) with respect to the distribution of the Senior Notes;

(f) it has been independently advised as to restrictions with respect to trading in the Senior Notes imposed by applicable securities laws in the jurisdiction in which it resides, confirms that no representation (written or oral) has been made to it by or on behalf of the Issuer or an Agent with respect thereto, acknowledges that it is aware of the characteristics of the Senior Notes, the risks relating to an investment in the Senior Notes and of the fact that it may not be able to resell the Senior Notes except in accordance with limited exemptions under applicable securities legislation and regulatory policy and compliance with the other requirements of applicable law; and it agrees that any certificates representing the Senior Notes will bear a legend indicating that the resale of such Senior Notes is restricted; the purchaser further acknowledges that it has been advised to consult its own legal counsel in its jurisdiction of residence for full particulars of the resale restrictions applicable to it and has reviewed and acknowledges the terms referred to under the heading "Restrictions on Resale"; and the purchaser further acknowledges that if it resells the

Senior Notes in compliance with applicable law it will give notice to the subsequent transferee during the restricted period noted under the heading "Restrictions on Resale" of such restrictions;

(g) it acknowledges the risks relating to an investment in the Senior Notes and it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its prospective investment in the Senior Notes, it and any accounts for which it is acting have the ability to bear the economic risks of the prospective investment and can afford the complete loss of such investment and it acknowledges that it and any accounts for which it is acting may be required to bear the financial risks of this investment for an indefinite period of time;

(h) it acknowledges that: (i) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Senior Notes; and (ii) there is no government or other insurance covering the Senior Notes;

(i) it acknowledges that no person has made any oral or written representation to it that any person will re-sell or re-purchase the Senior Notes, or refund any part or all of the purchase price of the Senior Notes, or that the Senior Notes will be listed on any exchange or quoted on any quotation and trade reporting system, or that any application has been or will be made to list the Senior Notes on any exchange or quote the notes on any quotation and trade reporting system, and no person has given any undertaking to such purchaser relating to the future value or price of the Senior Notes;

(j) none of the funds being used to purchase the Senior Notes are, to the best of the purchaser's knowledge, (i) proceeds obtained by or derived, directly or indirectly, as a result of illegal activities, or (ii) being tendered on behalf of a person or entity who has not been identified to the purchaser;

(k) the funds being used to purchase the Senior Notes and advanced by or on behalf of the purchaser to the Agents do not represent proceeds of crime for the purposes of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada);

(l) the purchaser is responsible to obtain independent investment, legal and tax advice with respect to its purchase of the Senior Notes and accordingly has had the opportunity to acquire an understanding of the transaction described in this confidential shelf offering memorandum and the meanings of all the terms contained herein relevant to such purchase for the purpose of giving acknowledgements, representations and agreements under this confidential shelf offering memorandum;

(m) it (i) is an "accredited investor" (as such term is defined in NI 45-106 and, in the case of a purchaser resident in Ontario, section 73.3(1) of the *Securities Act* (Ontario)) that is not an individual, unless such individual is also a "permitted client" (as such term is defined in NI 31-103); (ii) is either (A) purchasing the Senior Notes as principal, (B) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation of a jurisdiction of Canada (other than a trust company or trust corporation registered solely under the laws of the Province of Prince Edward Island) or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be, or (C) a person acting on behalf of a fully managed account managed by that person, if that person is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or foreign jurisdiction; and (iii) was not created or used solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the definition of "accredited investor" in NI 45-106;

(n) the purchaser has provided applicable certifications and/or other information or documentation to the Agents and the Issuer to evidence its status and criteria for compliance with the relevant category of "accredited investor," understands that the Agents and the Issuer may be required to

verify that the purchaser satisfies such criteria, and that the purchaser may be required to provide additional information or documentation to the Agents and the Issuer to evidence such compliance;

(o) the purchaser, if resident in the Province of Québec, has agreed that all documents relating to such purchase be in English only, as more particularly described under the heading "Language of Documents". *L'acquéreur, s'il réside dans la Province de Québec, accepte que tous les documents liés à son acquisition soient en langue anglaise uniquement, tel qu'il est plus amplement décrit sous la rubrique «Langue des documents»*;

(p) it will execute, deliver and file such reports, undertakings and other documents relating to his, her or its purchase of the Senior Notes as may be required by applicable securities laws, regulations and rules, or assist the Issuer and the Agents, as applicable, in obtaining and filing such reports, undertakings and other documents;

(q) it is not a U.S. person (as such term is defined in Regulation S under the U.S. Securities Act), none of the Senior Notes are being or will be acquired, directly or indirectly, for the account or benefit of a U.S. person, the purchaser was not offered any of the Senior Notes in the United States, the purchaser did not execute or deliver any agreement in connection herewith in the United States, and the purchaser is aware that the Senior Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any State of the United States and that the Senior Notes may not be offered or sold in the United States without registration under the U.S. Securities Act or except in compliance with the requirements of an exemption from registration;

(r) if the purchaser is acquiring any Senior Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the acknowledgements, representations and agreements contained herein on behalf of each such account;

(s) the offer and sale of the Senior Notes is conditional upon the offer and sale being exempt from the prospectus filing requirements of applicable securities law;

(t) the purchaser acknowledges that the Issuer may be required to disclose to applicable securities regulatory authorities the identity of the purchaser and any person with a beneficial interest in the Senior Notes;

(u) except for any rating reports that may have been issued by the applicable Rating Agencies, no agency, governmental authority, regulatory body, stock exchange or other entity has made any finding or determination as to the merit for investment of, nor have any such agencies or governmental authorities, regulatory bodies, stock exchanges or other entities made any recommendation or endorsement with respect to the Senior Notes;

(v) if the purchaser is:

(i) a corporation, it is duly incorporated and is validly subsisting under the laws of its jurisdiction of incorporation and has all requisite legal and corporate power and authority to purchase the Senior Notes and to make such representations and agreements as contemplated herein and has obtained all necessary approvals in respect thereof;

(ii) a partnership, syndicate or other form of unincorporated organization, it has the necessary legal capacity and authority to purchase the Senior Notes and to make such representations and agreements as contemplated herein and has obtained all necessary approvals in respect thereof; or

(iii) an individual, he or she is of the full age of majority, is a "permitted client" as such term is defined in NI 31-103 and is legally competent to purchase the Senior Notes and to make such representations and agreements as contemplated herein;

(w) the purchaser is not an "insider" of the Issuer (within the meaning of Canadian securities laws) and is not registered or required to be registered as a dealer, adviser or otherwise under the securities laws of any province of Canada (unless in either case it has specifically provided written advice to the contrary to the Issuer and to the Agents);

(x) it will, if requested by the Issuer or the Agent from whom the purchase confirmation is received, provide evidence of the basis of its above representations; and

(y) the Issuer, the Agents and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and it agrees that if any of the acknowledgements, representations or agreements deemed to have been made by its purchase of the Senior Notes are no longer accurate, it shall promptly notify the Issuer and the Agents for the applicable Offering of Senior Notes.

In addition, each purchaser of Senior Notes, by purchasing Senior Notes and accepting a purchase confirmation in respect thereof, represents to the Issuer and the Agents for the applicable Offering of Senior Notes that the purchaser:

(a) has been notified by the Issuer:

(i) that the Issuer is required to provide information pertaining to the purchaser of Senior Notes required to be disclosed in Schedule 1 of Form 45-106F1 under NI 45-l06 (including its name, address, telephone number and the number and value of securities purchased), which Form 45-106F1 the Issuer is required to file under NI 45-106;

(ii) that such personal information will be delivered to the applicable Canadian securities regulatory authorities (the "**Commissions**") in accordance with NI 45-106;

(iii) that such personal information is being collected indirectly by the applicable Commission under the authority granted to it in securities legislation;

(iv) that such personal information is being collected for the purposes of the administration and enforcement of securities legislation; and

(v) that the public official in the provinces of Canada who can answer questions about the indirect collection of such personal information is set out in Schedule A of this confidential shelf offering memorandum, and

(b) has authorized the indirect collection of the personal information by the applicable Commission.

By purchasing Senior Notes, the purchaser also acknowledges that its name and other specified information, including the number of Senior Notes it has purchased, may be disclosed to other Canadian securities regulatory authorities and become available to the public in accordance with the requirements of applicable laws and consents to the disclosure of that information. Furthermore, by purchasing the Senior Notes, the purchaser acknowledges that certain information as to its status as an "accredited investor" that the purchaser may have provided to any Agent involved in the trade may be required to be delivered by such Agent to the Issuer under the terms of an Agency Agreement between the Issuer, OPG and the Agents referred to under "Plan of Distribution". By purchasing the Senior Notes, the purchaser consents to the disclosure of such information.

LANGUAGE OF DOCUMENTS

Upon receipt of this confidential shelf offering memorandum, each purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Senior Notes described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *En recevant le présent document, chaque acquéreur confirme par les présentes qu'il a expressément demandé que tous les documents qui attestent la vente des débentures décrites dans les présentes ou qui s'y rapportent de quelque manière que ce soit (y compris, plus particulièrement, une confirmation d'achat ou un avis) soient rédigés en langue anglais seulement.*

RESTRICTIONS ON RESALE

The distribution of the Senior Notes in the provinces of Canada is being made on a private placement basis and is therefore exempt from the requirement that the Issuer prepare and file a prospectus with the relevant Canadian securities regulatory authorities. Accordingly, any resale of the Senior Notes must be made: (a) through an appropriately registered dealer or pursuant to an exemption from the dealer registration requirements of applicable provincial securities laws; and (b) in accordance with, or pursuant to an exemption from, the prospectus requirements of applicable provincial securities laws. These resale restrictions may in some circumstances apply to resales made outside of Canada. Purchasers are advised to seek legal advice prior to any resale of the Senior Notes.

Purchasers are advised that the Issuer does not intend to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Senior Notes to the public in any province of Canada in connection with any Offering.

Furthermore, each purchaser of Senior Notes, by its purchase thereof, will be deemed to have represented, acknowledged or confirmed, as the case may be, to the Issuer and any dealer who is involved in the sale of the Senior Notes to such purchaser that such purchaser understands that the Senior Notes are subject to transfer and resale restrictions in Canada and that the certificates representing the Senior Notes (or the relevant ownership statement under a direct registration system or other book-entry system) or other applicable document or notice (including this document) will bear or will notify the purchaser of the following legend:

> "EXCEPT IN THE PROVINCE OF MANITOBA, IN ACCORDANCE WITH NATIONAL INSTRUMENT 45-102 — RESALE OF SECURITIES, UNLESS OTHERWISE PERMITTED UNDER CANADIAN SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS FOUR MONTHS AND A DAY AFTER THE LATER OF (I) THE DATE ON WHICH THE SECURITY IS ISSUED; AND (II) THE DATE THE ISSUER BECOMES A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY OF CANADA.
>
> IN THE PROVINCE OF MANITOBA, UNLESS OTHERWISE PERMITTED UNDER APPLICABLE CANADIAN SECURITIES LAWS OR WITH THE PRIOR WRITTEN CONSENT OF THE APPLICABLE REGULATORS, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS TWELVE MONTHS AND A DAY AFTER THE DATE THE PURCHASER ACQUIRED THE SECURITY."

The Issuer is not and does not intend to become a reporting issuer.

There is currently no secondary market for the Senior Notes. There can be no assurance that a secondary market will develop or, if a secondary market does develop, that it will provide holders of such Series of Senior Notes with liquidity for their investment or that it will continue for the life of such Senior Notes. Accordingly, purchasers of the Senior Notes may be required to bear the financial risk of investing in the Senior Notes until the maturity date.

REPORTING REQUIREMENTS

The Issuer is not a reporting issuer or the equivalent thereof under the securities legislation in any jurisdiction. Accordingly, the Issuer is not subject to the continuous reporting and disclosure requirements prescribed by such securities legislation. Therefore, there is no requirement that the Issuer comply with such requirements, including, without limitation, the requirements to provide prompt notification of material changes by way of press releases, to formally file disclosure documents with applicable securities regulatory authorities or to prepare and file annual audited financial statements or quarterly unaudited financial statements. However, the Issuer will provide audited annual financial statements and unaudited quarterly financial statements in accordance with the terms of the Master Trust Indenture. See *"Description of Senior Notes — Reporting Requirements of Senior Notes"*.

STATUTORY RIGHTS OF ACTION

Securities legislation in certain of the provinces of Canada provides purchasers, in addition to any other rights they may have at law, with a remedy for rescission or damages where an offering memorandum or any amendment to it, and in some cases, advertising and sales literature used in connection therewith, contains a misrepresentation. These remedies, or notice with respect thereto, must be exercised or delivered, as the case may be, by the purchaser within the time limit prescribed, and are subject to the defences contained, in the applicable securities legislation. Purchasers should refer to the applicable provisions of the securities legislation of their province for the particulars of these rights or consult with a legal advisor. The following is a summary of the rights of rescission or rights to damages available to purchasers of the Senior Notes.

Rights for Purchasers in Ontario

Section 5.2 of Ontario Securities Commission Rule 45-501 — *Ontario Prospectus and Registration Exemptions* provides that when an offering memorandum, such as this confidential shelf offering memorandum, is delivered to an investor to whom securities are distributed in reliance upon the "accredited investor" prospectus exemption in section 73.3 of the *Securities Act* (Ontario) or a predecessor exemption to section 73.3 of the *Securities Act* (Ontario) the right of action referred to in section 130.1 of the *Securities Act* (Ontario) ("**Section 130.1**") is applicable, unless the prospective purchaser is:

(a) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act;

(b) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;

(c) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);

(d) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or

(e) a subsidiary of any person referred to in paragraphs (a), (b), (c) or (d), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of the subsidiary.

Section 130.1(1) provides such investors who purchase securities offered by an offering memorandum with a statutory right of action against the Issuer of securities for rescission or damages in the event that the offering memorandum and any amendment to it contains a "misrepresentation". The term "misrepresentation" is defined to mean an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in the light of the circumstances in which it was made. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by applicable securities laws.

Where this confidential shelf offering memorandum is delivered to a prospective purchaser of Senior Notes in connection with a trade made in reliance on section 73.3 of the *Securities Act* (Ontario), and this document contains a misrepresentation, the purchaser will have, without regard to whether the purchaser relied on the misrepresentation, a statutory right of action against the Issuer for damages or, while still the owner of Senior Notes, for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages, provided that the right of action for rescission will be exercisable by the purchaser only if the purchaser commences the action not more than 180 days after the date of the transaction that gave rise to the cause of action; or, in the case of any action other than an action for rescission, the earlier of: (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the transaction that gave rise to the cause of action.

The Issuer will not be liable for a misrepresentation if it proves that the purchaser purchased the Senior Notes with knowledge of the misrepresentation.

In an action for damages, the Issuer will not be liable for all or any portion of the damages that the Issuer proves do not represent the depreciation in value of the Senior Notes as a result of the misrepresentation relied upon.

In no case will the amount recoverable for the misrepresentation exceed the price at which the Senior Notes were offered.

The liability of all persons and companies referred to above is joint and several. The Issuer, however, shall not be liable where it is not receiving any proceeds from the distribution of the securities being distributed and the misrepresentation was not based on information provided by the Issuer, unless the misrepresentation, (a) was based on information that was previously publicly disclosed by the Issuer, (b) was a misrepresentation at the time of its previous public disclosure and (c) was not subsequently publicly corrected or superseded by the Issuer prior to the completion of the distribution of the securities being distributed.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law.

This summary is subject to the express provisions of the *Securities Act* (Ontario) and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Rights for Purchasers in Saskatchewan

Section 138 of *The Securities Act, 1988* (Saskatchewan), as amended (the "**Saskatchewan Act**") provides that where an offering memorandum (such as this confidential shelf offering memorandum) or any amendment to it is sent or delivered to a purchaser and it contains a misrepresentation (as defined in the Saskatchewan Act), a purchaser who purchases a security covered by the offering memorandum or any amendment to it has, without regard to whether the purchaser relied on the misrepresentation, a right of action for rescission against the Issuer or a selling security holder on whose behalf the distribution is made or has a right of action for damages against:

(a) the Issuer or a selling security holder on whose behalf the distribution is made;

(b) every promoter and trustee of the Issuer or the selling security holder, as the case may be, at the time the offering memorandum or any amendment to it was sent or delivered;

(c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them;

(d) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the offering memorandum or the amendment to the offering memorandum; and

(e) every person who or company that sells securities on behalf of the Issuer or selling security holder under the offering memorandum or amendment to the offering memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

(a) if the purchaser elects to exercise its right of rescission against the Issuer or selling security holder, it will have no right of action for damages against that party;

(b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the securities resulting from the misrepresentation relied on;

(c) no person or company, other than the Issuer or a selling security holder, will be liable for any part of the offering memorandum or any amendment to it not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation;

(d) in no case will the amount recoverable exceed the price at which the securities were offered; and

(e) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation.

In addition, no person or company, other than the Issuer or selling security holder, will be liable if the person or company proves that:

(a) the offering memorandum or any amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company immediately gave reasonable general notice that it was so sent or delivered; or

(b) with respect to any part of the offering memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that: (i) there had been a misrepresentation, or (ii) the part of the offering memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Not all defences upon which the Issuer or others may rely are described herein. Please refer to the full text of the Saskatchewan Act for a complete listing.

The liability of all persons and companies referred to above is joint and several.

Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Section 138.2 of the Saskatchewan Act also provides that, subject to certain limitations and defences, where an individual makes a verbal statement to a purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the individual who made the verbal statement.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Saskatchewan Financial Services Commission.

Section 141(2) of the Saskatchewan Act also provides a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by Section 80.1 of the Saskatchewan Act.

The rights of action for damages or rescission under the Saskatchewan Act are in addition to and do not derogate from any other right which a purchaser may have at law.

Section 147 of the Saskatchewan Act provides that no action will be commenced to enforce any of the foregoing rights more than:

(a) in the case of an action for rescission or cancellation, 180 days after the date of the transaction that gave rise to the cause of action; or

(b) in the case of any other action, other than an action for rescission or cancellation, the earlier of:

  (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or

  (ii) six years after the date of the transaction that gave rise to the cause of action.

The Saskatchewan Act also provides that a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act has a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two business days of receiving the amended offering memorandum.

This summary is subject to the express provisions of the Saskatchewan Act and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Rights for Purchasers in Nova Scotia

The right of action for rescission or damages described herein is conferred by section 138 of the *Securities Act* (Nova Scotia). Section 138 provides, in the relevant part, that in the event that this confidential shelf offering memorandum, together with any amendments hereto, or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia)) contains an untrue statement of material fact or omits to state a material fact that is required to be stated or that is necessary in order to make any statements contained herein or therein not misleading in light of the circumstances in which it was made (a "**misrepresentation**"), a purchaser of Senior Notes is deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the Issuer, its trustees, any person who signed this confidential shelf offering memorandum, any selling security holder and the directors of any such selling security holder at the date of this confidential shelf offering memorandum or, alternatively, while still the owner of the Senior Notes, may elect instead to exercise a statutory right of rescission against the Issuer, in which case the purchaser will have no right of action for damages against any person listed above, including the Issuer, provided that, among other limitations:

(a) no action will be commenced to enforce the right of action for rescission or damages by a purchaser resident in Nova Scotia under Section 138 later than 120 days after the date payment was made for the Senior Notes (or after the date on which initial payment was made for the Senior Notes where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment);

(b) no person will be liable if it proves that the purchaser purchased the Senior Notes with knowledge of the misrepresentation;

(c) no person or company, other than the Issuer, is liable under Section 138 if the person or company proves that:

(i) this confidential shelf offering memorandum, or any amendment hereto, was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;

(ii) after delivery of this confidential shelf offering memorandum, or the amendment hereto, and before the purchase of the Senior Notes by the purchaser, on becoming aware of any misrepresentation in this confidential shelf offering memorandum, or the amendment hereto, or any record incorporated or deemed incorporated by reference therein, the person or company withdrew the person's or company's consent to this confidential shelf offering memorandum, or amendment hereto, or such record, and gave reasonable general notice of the withdrawal and the reason for it; or

(iii) with respect to any part of this confidential shelf offering memorandum, or amendment hereto, or any record incorporated or deemed to be incorporated by reference therein, purporting to be made on the authority of an expert, or to be a copy of, or an extract from a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or that the relevant part of this confidential shelf offering memorandum, or amendment hereto, or such record, did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or extract from, the report, opinion or statement of the expert;

(d) no person or company, other than the Issuer, is liable under Section 138 with respect to any part of this confidential shelf offering memorandum, or amendment hereto, or any record incorporated or deemed incorporated by reference therein, not purporting to be made on the authority of an expert, or to be a copy of or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or believed that there had been a misrepresentation;

(e) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Senior Notes resulting from the misrepresentation; and

(f) in no case will the amount recoverable under Section 138 in any action exceed the price at which the Senior Notes were offered to the purchaser.

The liability of all persons or companies referred to above is joint and several with respect to the same cause of action. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person or company who is jointly and severally liable to make the same payment in the same cause of action unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable.

The foregoing statutory right of action for rescission or damages conferred by Section 138 of the Securities Act (Nova Scotia) is in addition to and without derogation from any other right or remedy available at law or otherwise to the purchaser. This summary is subject to the express provisions of the *Securities Act* (Nova Scotia) and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions may have at law.

Rights for Purchasers in New Brunswick

Section 2.1 of New Brunswick Securities Commission Rule 45-802 provides that the statutory rights of action in rescission or damages referred to in Section 150 of the *Securities Act* (New Brunswick) ("**Section 150**") apply to information relating to an offering memorandum, such as this confidential shelf offering memorandum, that is provided to a purchaser of securities in connection with a distribution made in reliance on the "accredited

investor" prospectus exemption in Section 2.3 of NI 45-106. Section 150 provides investors who purchase securities offered for sale in reliance on an exemption from the prospectus requirements of the *Securities Act* (New Brunswick) with a statutory right of action for damages against (i) the Issuer; (ii) the selling security holder on whose behalf the distribution was made; (iii) every person who was a director of the Issuer as at the date of the offering memorandum; and (iv) every person who signed the offering memorandum in the event that an offering memorandum provided to such investor contains a "misrepresentation". Alternatively, if the investor purchased the securities from a person referred to in (i) or (ii) above, an investor may elect a right of rescission, in which case the investor shall have no right of action for damages. "Misrepresentation" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

Where this confidential shelf offering memorandum is delivered to a prospective purchaser of Senior Notes in connection with a trade made in reliance on Section 2.3 of NI 45-106, and this document (including any documentation incorporated or deemed to be incorporated by reference) contains a misrepresentation, a purchaser who purchases the securities will be deemed to have relied on the misrepresentation and will have, subject to certain limitations and defences, a statutory right of action against the Issuer for damages or, while still the owner of Senior Notes, for rescission. If the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages. The right of action for rescission will be exercisable by the purchaser only if the purchaser commences the action against the defendant, not more than 180 days after the date of the transaction that gave rise to the cause of action; or, in the case of any action other than an action for rescission, the earlier of: (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) six years after the date of the transaction that gave rise to the cause of action.

No person other than the Issuer or the selling security holder is liable under Section 150 if the person proves that:

(a) the offering memorandum was delivered to the purchaser without the person's knowledge or consent and that, on becoming aware of its delivery, the person gave written notice to the Issuer that it was delivered without the person's knowledge or consent;

(b) upon becoming aware of a misrepresentation in the offering memorandum the person withdrew the person's consent to the offering memorandum and gave written notice to the Issuer of the withdrawal and the reason for the withdrawal; or

(c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person had no reasonable grounds to believe and did not believe there had been a misrepresentation or that the relevant part of the offering memorandum did not fairly represent the report, opinion or statement of the expert or was not a fair copy of, or extract from, the report, opinion or statement of the expert.

In addition, no person other than the Issuer or the selling security holder is liable under Section 150 with respect to any part of an offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert unless (i) the person failed to conduct such reasonable investigations as to provide reasonable grounds for a belief that there had been no misrepresentation or (ii) the person believed that there had been misrepresentation.

The defendant will not be liable for a misrepresentation if it proves that the purchaser purchased the Senior Notes with knowledge of the misrepresentation.

In an action for damages, the defendant will not be liable for all or any portion of the damages that the defendant proves do not represent the depreciation in value of the Senior Notes as a result of the misrepresentation relied upon.

In no case will the amount recoverable for the misrepresentation exceed the price at which the Senior Notes were offered.

The liability of all persons referred to above is joint and several.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law.

This summary is subject to the express provisions of the Securities Act (New Brunswick) and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Rights for Purchasers in Prince Edward Island

The right of action for rescission or damages described herein is conferred by Section 112 of the *Securities Act* (Prince Edward Island). Section 112 provides, that in the event that this confidential shelf offering memorandum contains a "misrepresentation", a purchaser who purchased the Senior Notes during the period of distribution, without regard to whether the purchaser relied upon such misrepresentation, has a statutory right of action for damages against the Issuer, the selling security holder on whose behalf the distribution was made, every trustee of the Issuer as at the date of the confidential shelf offering memorandum, and every person who signed the confidential shelf offering memorandum. Alternatively, the purchaser while still the owner of the Senior Notes may elect to exercise a statutory right of action for rescission against the Issuer. "Misrepresentation" means an untrue statement of material fact, or an omission to state a material fact that is required to be stated by the *Securities Act* (Prince Edward Island), or an omission to state a material fact that needs to be stated so that a statement is not false or misleading in light of the circumstances in which it is made. Statutory rights of action for rescission or damages by a purchaser are subject to the following limitations:

(a) no action will be commenced to enforce the right of action for rescission by a purchaser, resident in Prince Edward Island, later than 180 days after the date of the transaction that gave rise to the cause of action;

(b) in the case of any action other than an action for rescission, the earlier of;

  (i) 180 days after the purchaser first had knowledge of the facts given rise to the cause of action; or

  (ii) three years after the date of the transaction giving rise to the cause of action;

(c) no person will be liable if the person proves that the purchaser purchased the security with knowledge of the misrepresentation;

(d) no person other than the Issuer will be liable if the person proves that

  (i) the confidential shelf offering memorandum was sent to the purchaser without the person's knowledge or consent and that, on becoming aware of it being sent, the person had promptly given reasonable notice to the Issuer that it had been sent without the knowledge and consent of the person;

  (ii) the person, on becoming aware of the misrepresentation in the confidential shelf offering memorandum, had withdrawn the person's consent to the confidential shelf offering memorandum and had given reasonable notice to the Issuer of the withdrawal and the reason for it; or

  (iii) with respect to any part of the confidential shelf offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe, and did not believe that;

    (A) there had been a misrepresentation; or

(B) the relevant part of the confidential shelf offering memorandum:

a. did not fairly represent the report, statement or opinion of the expert, or

b. was not a fair copy of, or an extract from, the report, statement, or opinion of the expert.

Not all defences upon which the Issuer or others may rely are described herein. Please refer to the full text of the *Securities Act* (Prince Edward Island) for a complete listing.

If the purchaser elects to exercise a right of action for rescission, the purchaser will have no right of action for damages.

In no case will the amount recoverable in any action exceed the price at which the Senior Notes were offered to the purchaser.

In an action for damages, the defendant will not be liable for any damages that the defendant proves do not represent the depreciation in value of the Senior Notes as a result of the misrepresentation.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law.

This summary is subject to the express conditions of the *Securities Act* (Prince Edward Island) and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Rights for Purchasers in Manitoba

Pursuant to section 141.1(1) of *The Securities Act* (Manitoba) (the "**Manitoba Act**"), where this confidential shelf offering memorandum, or any amendment to this confidential shelf offering memorandum, is sent or delivered to a purchaser in the Province of Manitoba and such document contains a misrepresentation, a purchaser who purchases Senior Notes offered by this confidential shelf offering memorandum or any amendment to this confidential shelf offering memorandum is deemed to have relied on that misrepresentation, if it was a misrepresentation at the time of purchase and, subject to the defenses described in the Manitoba Act, has:

(a) a right of action for damages against:

(i) the Issuer;

(ii) each of its trustees at the date of this confidential shelf offering memorandum or any amendment to this confidential shelf offering memorandum; and

(iii) every person or company who signed this confidential shelf offering memorandum or any amendment to this confidential shelf offering memorandum; and

(b) a right of rescission against the Issuer;

provided that:

(c) no person or company is liable if the person or company proves that the purchaser purchased the Senior Notes with knowledge of the misrepresentation;

(d) in an action for damages, the defendant is not liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the Senior Notes resulting from the misrepresentation relied on; and

(e) in no case will the amount recovered exceed the price at which the Senior Notes were offered to the public.

Where a purchaser elects to exercise a right of rescission against the Issuer, the purchaser will have no right of action for damages against the Issuer or against a person or company referred to in (a)(ii) or (iii) above.

No person or company other than the Issuer is liable:

(a) if the person or company proves that this confidential shelf offering memorandum or any amendment to this confidential shelf offering memorandum was sent without the person's or company's knowledge or consent and that, after becoming aware of its being sent, the person or company promptly gave reasonable notice to the Issuer that it was so sent;

(b) if the person or company proves that after becoming aware of any misrepresentation in this confidential shelf offering memorandum or any amendment to this confidential shelf offering memorandum, the person or company withdrew the person's or company's consent to it and gave reasonable notice to the Issuer of the person's or company's withdrawal and the reason for it;

(c) if the person or company proves that with respect to any part of this confidential shelf offering memorandum or of any amendment to this confidential shelf offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of or an extract from a report, opinion or statement of an expert, the person or company had no reasonable grounds to believe and did not believe that:

(i) there had been a misrepresentation; or

(ii) the relevant part of this confidential shelf offering memorandum or of the amendment to this confidential shelf offering memorandum:

(A) did not fairly represent the report, opinion or statement of the expert; or

(B) was not a fair copy of or extract from the report, opinion or statement of the expert; or

(d) with respect to any part of this confidential shelf offering memorandum or of the amendment to this confidential shelf offering memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, the expert's report, opinion or statement, unless the person or company:

(i) did not conduct an investigation, sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; or

(ii) believed that there had been a misrepresentation.

Pursuant to section 141.4 of the Manitoba Act, but subject to the other provisions thereof, no action shall be commenced to enforce any of the foregoing rights more than:

(a) in the case of an action for rescission, 180 days from the date of the transaction that gave rise to the cause of action, or

(b) in the case of an action for damages, the earlier of:

(i) 180 days after the date that the plaintiff first had knowledge of the facts giving rise to the cause of action, or

(ii) two years after the date of the transaction that gave rise to the cause of action.

In an action for damages, the Issuer will not be liable for all or any part of the damages that the Issuer proves do not represent the depreciation in value of the Senior Notes as a result of the misrepresentation relied upon.

The rights of action for rescission or damages under the Manitoba Act are in addition to and do not derogate from any other right that the purchaser may have at law.

This summary is subject to the express provisions of the Manitoba Act and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Rights for purchasers in Newfoundland and Labrador

In accordance with section 130.1 of the *Securities Act* (Newfoundland and Labrador, hereinafter the "**NL Act**"), in the event this confidential shelf offering memorandum contains a misrepresentation, a purchaser who purchases Senior Notes shall be deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase, in which event the purchaser has, subject to the defences and limitations set out in the NL Act: (a) a right of action for damages against the Issuer and, every trustee of the Issuer at the date of this confidential shelf offering memorandum and every person or company who has signed this confidential shelf offering memorandum; and (b) a right of rescission against the Issuer. Where a right of rescission is exercised, a purchaser shall have no right of action for damages against any other person or company.

For the purposes of the NL Act "misrepresentation" means: (a) an untrue statement of material fact, or (b) an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

A person or company is not liable under section 130.1 of the NL Act: (a) if the person or company proves the purchaser had knowledge of the misrepresentation; or (b) in an action for damages, for all or any portion of the damages that the person or company proves do not represent the depreciation in value of the security as a result of the misrepresentation. Additionally, in an action for damages, the amount recoverable under the right of action shall not exceed the purchase price at which the security was offered.

In addition no person or company, other than the Issuer, is liable under section 130.1 of the NL Act if:

(a) the person or company proves that this confidential shelf offering memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the Issuer that it was sent without the person's or company's knowledge or consent;

(b) the person or company proves that on becoming aware of any misrepresentation in this confidential shelf offering memorandum, the person or company withdrew the person's or company's consent to this confidential shelf offering memorandum, and gave reasonable notice to the Issuer of the withdrawal and the reason for it;

(c) with respect to any part of this confidential shelf offering memorandum purporting to be made on the authority of an expert (or purporting to be a copy of or an extract from a report, opinion or statement of an expert), the person or company proves they had no reasonable grounds to believe and did not believe that: (i) there had been a misrepresentation; or (ii) the relevant part of this confidential shelf offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert; or

(d) with respect to any part of this confidential shelf offering memorandum not purporting to be made on the authority of an expert (and not purporting to be a copy of or an extract from a report, opinion or statement of an expert), unless the person or company: (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; (ii) or believed there had been a misrepresentation.

If a misrepresentation is contained in a record incorporated by reference in, or deemed incorporated into this confidential shelf offering memorandum, the misrepresentation is deemed to be contained in this confidential shelf offering memorandum.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law. The liability of all persons and companies referred to above is joint and several.

Pursuant to section 138 of the NL Act, no action shall be commenced to enforce the rights conferred by section 130.1 thereof unless commenced:

(a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or

(b) in the case of an action, other than an action for rescission, the earlier of:

(i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action; or

(ii) three years after the date of the transaction that gave rise to the cause of action.

Rights for Purchasers in Alberta, British Columbia, and Québec

By purchasing Senior Notes hereunder, purchasers in Alberta, British Columbia and Québec not entitled to the statutory rights described above, in consideration of their purchase of Senior Notes and upon accepting a purchase confirmation in respect thereof, are hereby granted a contractual right of action for damages or rescission that is the same as the statutory right of action, if any, provided to residents of Ontario who purchase Senior Notes.

General

The foregoing summaries are subject to the express provisions of the applicable securities law of each jurisdiction, and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions.

The rights of action described in this confidential shelf offering memorandum are in addition to and without derogation from any other right or remedy that the purchaser may have at law.

INDENTURE TRUSTEE

The Indenture Trustee, BNY Trust Company of Canada, will be the registrar for the Senior Notes, and the register for the transfer of Senior Notes will be kept at its principal office in Toronto, Ontario.

LEGAL MATTERS

Certain Canadian legal matters in connection with the offering of Senior Notes will be passed upon by Torys LLP on behalf of the Issuer and by Osler, Hoskin & Harcourt LLP on behalf of the Agents.

GLOSSARY

[NTD: Glossary in progress. For ease of reference, Torys is considering adding an index or replacing glossary with an index for terms that are defined in the body.]

The following glossary contains definitions of certain terms that are used throughout this confidential shelf offering memorandum.

"**Acceleration**" means, (a) a portion of the principal amount owing in respect of the Funding Obligation has become due and payable by a Financing Entity before the scheduled payment date, maturity date or redemption date, or (b) a party to a derivative agreement in respect of the Funding Obligation has elected to close-out or terminate the agreement, resulting in an obligation on a Financing Entity to pay a termination amount, close-out amount or similar amount.

"**Acceleration Event**" means the acceleration of any Series of Controlling Class Obligations pursuant to and in accordance with its Funding Obligation Agreement.

"**Adherence Compliance Certificate**" has the meaning set out under *"Change of Law Protection Agreement — Approved Obligations & Adherence Conditions"*.

"**Adverse Effect**" has the meaning set out under *"Capital Markets Platform — Conditions Precedent to Incurrence of Obligations Secured — Issuer Funding Obligations"*.

"**Agency Agreement**" has the meaning set out under *"Plan of Distribution"*.

"**Agents**" means the agents designated by the Issuer from time to time and identified in the Term Sheet applicable to such Offering to sell the Senior Notes as described under *"Plan of Distribution"*.

"**Approved Obligation**" has the meaning set out under *"Change of Law Protection Agreement — Approved Obligations & Adherence Conditions"*.

"**Available Collections**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Collection Account"*.

"**Borrowing**" means a borrowing or drawing by the Issuer pursuant to a liquidity agreement, a loan agreement or a credit enhancement agreement.

"**Canadian Insolvency and Restructuring Laws**" has the meaning set out under *"Risk Factors — Risks Associated with the Unusual Nature of the Investment Asset"*.

"**Carrying Costs**" has the meaning ascribed to the term "carrying costs" in the Regulations.

"**CDS**" means CDS Clearing and Depository Services Inc.

"**Certified Primary Obligation**" has the meaning set out under *"Change of Law Protection Agreement — Approved Obligations & Adherence Conditions"*.

"**Class**" has the meaning set out under *"Capital Markets Platform — Subordination Provisions"*.

"**Clean Energy Adjustment**" has the meaning set out under *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

"**Clean Energy Benefits**" means the value of the benefits determined to be derived by or accruing to Specified Consumers as a result of the Clean Energy Initiative, including as a result of Clean Energy Costs.

"**Clean Energy Costs**" means the value of the costs allocated to Specified Consumers as a result of the Clean Energy Initiative, including as a result of past, present and expected costs incurred in respect of

(a) the amounts to be paid or reflected by the IESO in adjustments made under section 25.33 of the *Electricity Act, 1998* (Ontario) or any provision that is the successor to that provision, which relate to contracts or amounts for

(i) renewable energy generation or capacity;

(ii) conservation and demand management;

(iii) energy storage;

(iv) energy efficiency; and

(v) natural gas generation and capacity, excluding contracts relating to amounts payable by the IESO under section 78.2 of the *Ontario Energy Board Act, 1998* and excluding such other contracts as may be prescribed;

(b) payments made or expected to be made under section 78.5 of the *Ontario Energy Board Act, 1998*; and

(c) such other costs or estimated costs as may be prescribed by the Regulations.

"**Clean Energy Initiative**" means the policies of the Government of Ontario related to

(a) eliminating coal generation and fostering the growth of and investment in clean, modern and reliable energy sources and technologies;

(b) removing barriers to and promoting opportunities for clean and renewable energy sources and technologies;

(c) promoting conservation, demand management and energy efficiency; and

(d) investing in energy infrastructure to ensure a clean, modern and reliable system.

"**Clearstream, Luxembourg**" means Clearstream Banking, société anonyme.

"**Collateral**" has the meaning set out under *"Capital Markets Platform — Security"*.

"**Collection Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Collection Account"*.

"**Collection Account Waterfall**" has the meaning set out under *"Capital Markets Platform — Payment Waterfalls Prior to Acceleration — Collection Account"*.

"**Commission**" has the meaning set out under *"Representations and Agreements of Purchasers"*.

"**Confidential Information**" has the meaning set out under *"Confidentiality"*.

"**Controlling Class Creditors**" means the Debtholders holding Controlling Class Obligations.

"**Controlling Class Obligations**" means: (a) Senior Funding Obligations until such time as all Senior Funding Obligations have been paid in full; then (b) if all Senior Funding Obligations have been paid in full, Subordinated Funding Obligations until such time as all Subordinated Funding Obligations have been paid in full; and finally (c) if all Senior Funding Obligations and Subordinated Funding Obligations have been paid in full, Junior Subordinated Funding Obligations until such time as all Junior Subordinated Funding Obligations have been paid

in full.

"**Co-Owner Agreement**" means any agreement between, *inter alia*, the Issuer and any other owner or owners of an Investment Interest as contemplated by the FHPA.

"**DBRS**" means DBRS Limited and its successors.

"**Debtholder**" means a Noteholder or a Lender.

"**Debtholder Group**" has the meaning set out under *"Capital Markets Platform — Debtholder Approvals and Meetings — Debtholder Meetings"*.

"**Declaration of Trust**" has the meaning set out under *"The Issuer"*.

"**Default**" means the occurrence of any event which, after the passage of time, the required notification to the Indenture Trustee and, if required, approval by the required Controlling Class Creditors, would become an Event of Default.

"**depository**" has the meaning set out under *"Depository Services"*.

"**Derivative Counterparty**" means any party to any derivative agreement other than the Issuer or the Indenture Trustee.

"**Derivative Funding Obligations**" means Funding Obligations arising under, or in connection with, derivative agreements.

"**DTC**" means The Depositary Trust Company.

"**Electricity Vendor**" means

(a) a person licensed under Part V of the *Ontario Energy Board Act, 1998* to own or operate a "distribution system" within the meaning of that Act;

(b) a person licensed under Part V of the *Ontario Energy Board Act, 1998* to retail electricity;

(c) the IESO in circumstances where it directly invoices a Specified Consumer for electricity used in Ontario; or

(d) such other person as may be prescribed by the Regulations.

"**Eligible Deposit Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts"*.

"**Eligible Institution**" means (a) a trust company or Schedule I chartered bank (or an affiliate thereof) incorporated under the laws of Canada or any province thereof (i) which has either (x) a long-term unsecured debt rating of "A" or better by DBRS, or (y) a short-term deposit rating of "R-1 (low)" or better by DBRS, and (ii) which has either (x) a long-term unsecured debt rating of "A2" or better by Moody's, or (y) a short-term deposit rating of "P-1" or better by Moody's, or (b) any institution that otherwise satisfies the Rating Agency Condition.

"**Eligible Investments**" means instruments or investment property that evidence:

(a) direct obligations of, or obligations fully and unconditionally guaranteed as to timely payment by, Canada or the United States of America;

(b) demand or time deposits of, unsecured certificates of deposit of, money market deposit accounts of, bank deposit products of or bankers' acceptances issued by, any depository institution (including, but not limited to,

bank deposit products of the Indenture Trustee, acting in its commercial capacity) incorporated or organized under the laws of the United States of America, Canada or any state or province thereof and subject to supervision and examination by applicable banking authorities, so long as the commercial paper or other short-term debt obligations of such depository institution are, at the time of deposit, rated at least "R-1 (low)" and "P 1" by each of DBRS and Moody's, or such lower rating as will not result in the downgrading or withdrawal of the ratings of the Issuer or any of the Issuer Funding Obligations;

(c) commercial paper (including commercial paper of the Indenture Trustee, acting in its commercial capacity), which at the time of purchase is rated at least "R-1 (low)" and "P-1" by each of DBRS and Moody's, or such lower rating as will not result in the downgrading or withdrawal of the ratings of the Issuer or any of the Issuer Funding Obligations;

(d) investments in money market funds having a rating in the highest investment category granted thereby (including funds for which the Indenture Trustee or any of its affiliates is investment manager or advisor) from DBRS and Moody's;

(e) repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by, the United States of America, Canada or their respective agencies or instrumentalities, entered into with Eligible Institutions;

(f) repurchase obligations with respect to any security or whole loan entered into with an Eligible Institution or with a registered broker/dealer acting as principal and that meets the ratings criteria set forth below:

(i) a broker/dealer (acting as principal) registered as a broker or dealer under the *Securities Act* (Ontario) (any such broker/dealer being referred to in this definition as a "**broker/dealer**"), the unsecured short-term debt obligations of which are rated at least "P-1" by Moody's and "R-1" by DBRS at the time of entering into such repurchase obligation; or

(ii) an unrated broker/dealer, acting as principal, that is a wholly-owned subsidiary of a non-bank or bank holding company the unsecured short-term debt obligations of which are rated at least "P-1" by Moody's and "R-1" by DBRS at the time of purchase so long as the obligations of such unrated broker/dealer are unconditionally guaranteed by such non-bank or bank holding company; and

(g) any other investment permitted by each of the Rating Agencies;

in each case maturing not later than the business day preceding the next Payment Date, Interest Payment Date or Principal Payment Date, as applicable (for the avoidance of doubt, investments in money market funds or similar instruments that are redeemable on demand shall be deemed to satisfy the foregoing requirement). Notwithstanding the foregoing, no securities or investments that mature in 30 days or more shall be "Eligible Investments" unless the issuer thereof has (x) either a short-term unsecured debt rating of at least "P-1" from Moody's or a long-term unsecured debt rating of at least "A2" from Moody's and also has (y) either a short-term unsecured debt rating of at least "R-1 (low)" from DBRS or a long-term unsecured debt rating of at least "A" from DBRS.

"**Eligible Securities Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts"*.

"**Euroclear**" means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

"**Event of Default**" has the meaning set out under *"Capital Markets Platform — Event of Default"*.

"**Extraordinary Resolution**" has the meaning set out under *"Capital Markets Platform — Debtholder Approvals and Meetings — Debtholder Meetings"*.

"**Fair Adjustment**" has the meaning set out under *"Ontario's Fair Hydro Plan — Background"*.[60]

"**Fair Allocation Amount**" has the meaning set out under *"Ontario's Fair Hydro Plan — Fair Allocation Amount and Financing Plan"*.[61]

"**FHPA**" means the *Ontario Fair Hydro Plan Act, 2017*.

"**Finance Amount**" has the meaning set out under *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

"**Financial Services Manager**" means OPG, in its capacity as financial services manager appointed under the FHPA to perform the duties assigned to it thereunder.[62]

"**Financing Entity**" has the meaning set out under *"Ontario's Fair Hydro Plan — Background"*.

"**Financing Plan**" means the written plan entitled "Financing Plan" prepared by the Financial Services Manager as required under the FHPA to be used by the Financial Services Manager to evaluate whether potential Funding Obligations should be incurred for the purposes of a Financing Entity acquiring and financing an Investment Interest in accordance with the FHPA or for the purposes of a Refinancing, and includes any amendments thereto.

"**Funding Obligation**" has the meaning set out under *"Ontario's Fair Hydro Plan — Background"*.

"**Funding Obligation Agreement**" means any Note, any Supplemental Indenture (including any Terms Document), any liquidity agreement, any liquidity agreement, any credit enhancement agreement or any derivative agreement.

"**Funding Rebate**" has the meaning set out under *"Ontario's Fair Hydro Plan — Investment Interest"*.

"**Governmental Authority**" means any nation or government, any federal, state, provincial, local or other political subdivision thereof and any court, administrative agency or other instrumentality or entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

"**HOEP**" has the meaning set out under *"The Electricity Industry in Ontario — Electricity Prices"*.

"**IESO**" means the Independent Electricity System Operator.

"**IESO Cash Reserve Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — IESO Cash Reserve Account"*.

[60] **Note:** Please consider revising the definition of "Fair Adjustment" if this concept is to be used in the OM. The definition of the "Fair Adjustment" indicates that this term only refers to the rate reduction from July 1, 2017 until April 30, 2018. When the term is then later used in narrative [ex. "…the Financing Entity is financing a portion of the shortfall that results from the Fair Adjustment…"] it refers to the electricity rates that result from the entire fair hydro program.

[61] **Note:** Please consider a description of the Fair Allocation Amount that more closely aligns to Section 20(1) of the FHPA.

[62] **Note:** Please consider whether there should be disclosure indicating that the FSM is a statutory role from which OPG may be removed.

"**IESO Cash Reserve Deposit Amount**" means an amount equal to the aggregate of:

(a) 0.50% of the aggregate outstanding principal amount of the Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations determined as of the Payment Date occurring in April, 2021; and

(b) an amount estimated by the Manager, acting reasonably, as the amount of Carrying Costs payable by the Issuer during May, June and July, 2021 on outstanding Issuer Funding Obligations and any Issuer Funding Obligations to be issued in accordance with the Financing Plan, provided that such estimate satisfies the Rating Agency Condition.

"**IESO Cash Reserve Required Amount**" means, on any Payment Date on or after the Payment Date in November, 2021, the amount, if any, by which (a) an amount equal to 0.50% of the aggregate outstanding principal amount of the Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations, exceeds (b) the amount on deposit in the Program Cash Reserve Account, determined after giving effect to all settlements on such Payment Date.

"**IESO Security Agreement**" means the security agreement made by the IESO in favour of the Issuer to secure its obligations to pay the Issuer's Carrying Costs pursuant to the Master Transfer and Servicing Agreement.

"**Indemnity Agreement**" means the Indemnity Agreement dated December 21, 2017 by OPG in favour of the Indenture Trustee.

"**Indenture**" means the Master Trust Indenture, as supplemented by any Supplemental Indenture.

"**Indenture Trustee**" means BNY Trust Company of Canada and its successors.

"**Interest Accrual Amount (Junior Subordinated)**" means, in respect of any Payment Date and all Junior Subordinated Funding Obligations, the amount of interest that accrued on such Junior Subordinated Funding Obligations during the period from and including the issuance date of such Junior Subordinated Funding Obligations or the last date to which interest has been paid in respect of such Junior Subordinated Funding Obligations, as applicable, to such Payment Date less any amounts deposited to the Interest Accumulation Account in respect of such interest accruing during such period pursuant to the Collection Account Waterfall and the payment waterfall applicable to the IESO Cash Reserve Account.

"**Interest Accrual Amount (Senior)**" means, in respect of any Payment Date and all Senior Funding Obligations, the amount of interest that accrued on such Senior Funding Obligations during the period from and including the issuance date of such Senior Funding Obligations or the last date to which interest has been paid in respect of such Senior Funding Obligations, as applicable, to such Payment Date less any amounts deposited to the Interest Accumulation Account in respect of such interest accruing during such period pursuant to the Collection Account Waterfall and the payment waterfall applicable to the IESO Cash Reserve Account.

"**Interest Accrual Amount (Subordinated)**" means, in respect of any Payment Date and all Subordinated Funding Obligations, the amount of interest that accrued on such Subordinated Funding Obligations during the period from and including the issuance date of such Subordinated Funding Obligations or the last date to which interest has been paid in respect of such Subordinated Funding Obligations, as applicable, to such Payment Date less any amounts deposited to the Interest Accumulation Account in respect of such interest accruing during such period pursuant to the Collection Account Waterfall and the payment waterfall applicable to the IESO Cash Reserve Account.

"**Interest Accumulation Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Interest Accumulation Account"*.

"**Interest Payment Date**" means each business day on which interest is due and payable in respect of Senior Funding Obligations, Subordinated Funding Obligations or Junior Subordinated Funding Obligations, as set out in

the related Funding Obligation Agreement.

"**Investment Asset**" has the meaning set out under *"Ontario's Fair Hydro Plan — Investment Interest"*.

"**Investment Interest**" has the meaning set out under *"Ontario's Fair Hydro Plan — Investment Interest"*.

"**Investor Presentation**" has the meaning set out on the face page of this confidential shelf offering memorandum.

"**Issuer**" means Fair Hydro Trust, a special purpose trust governed by the laws of the Province of Ontario.

"**Issuer Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts"*.

"**Issuer Funding Obligation**" means Funding Obligations of the Issuer.

"**Issuer Trustee**" means Computershare Trust Company of Canada.

"**Junior Subordinated Funding Obligations**" means Funding Obligations arising under, or in connection with, Notes and Borrowings that have been designated as "Junior Subordinated" in the related Funding Obligation Agreement.

"**Junior Subordinated Notes, Series 2017-1**" has the meaning set out under *"Short Term Indebtedness"*.

"**LDCs**" has the meaning set out under *"The Electricity Industry in Ontario"*.

"**Lender**" means any Person providing credit facilities, note purchase facilities or advances under a liquidity agreement, liquidity agreement or credit enhancement agreement, as applicable.

"**Limited Guarantee**" has the meaning set out under *"Change of Law Protection Agreement"*.

"**Management Agreement**" has the meaning set out under *"The Manager"*.

"**Manager**" means OPG, as manager of the Issuer appointed under the Management Agreement.

"**Manitoba Act**" means *The Securities Act* (Manitoba).

"**Master Agreement**" means an agreement in the form of a Master Agreement as published by ISDA or any replacement or substitute or functional equivalent of such agreement.

"**Master Transfer and Servicing Agreement**" means the master transfer and servicing agreement dated as of December 21, 2017 between the Issuer and the IESO, as amended, supplemented, restated or otherwise modified from time to time.

"**Master Trust Indenture**" means the trust indenture dated as of December 21, 2017 between the Issuer, as issuer, and the Indenture Trustee, as amended, supplemented, restated or otherwise modified from time to time.

"**Material Effect**" has the meaning set out under *"Change of Law Protection Agreement — Suspension Notice & Post-Suspension Refinancings"*.

"**Moody's**" means Moody's Investors Service, Inc. and its successors.

"**Moratorium Period**" has the meaning set out under *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

"**MTSA Acknowledgement**" means the acknowledgement and indemnity agreement dated December 21, 2017 by the IESO in favour of the Indenture Trustee.

"**MW**" means megawatts.[63]

"**NI 31-103**" means National Instrument 31-103 — *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

"**NI 45-106**" means National Instrument 45-106 — *Prospectus Exemptions*.

"**NL Act**" means the *Securities Act* (Newfoundland and Labrador).

"**Non-Investment Grade Rated Electricity Vendor**" has the meaning set out under *"The Transferor and Servicer"*.

"**Note**" means any note of any Class, Series or Tranche created pursuant to a Supplemental Indenture and authenticated and delivered from time to time under the Master Trust Indenture.

"**Noteholders**" means a Person in whose name a Note is registered in the Note register or the bearer of any Note held in bearer form (including a global note in bearer form), as the case may be.

"**Obligations Secured**" means all present and future debts, expenses and liabilities, direct or indirect, absolute or contingent, due, owing or accruing due or owing from time to time by the Issuer to the Specified Creditors in their capacity as such. For greater certainty, amounts owing to any Specified Creditors by the Issuer at any time shall include (a) the unpaid face amount of any Notes issued on a discount basis; (b) the principal amount owing at such time, together with the accrued and unpaid interest on interest bearing Notes or Borrowings; (c) accrued fees, whether or not then due and payable; and (d) any evidence of indebtedness issued pursuant to or in respect of an amount owing under a Program Agreement (other than amounts payable by the Issuer to its beneficiaries pursuant to the Declaration of Trust or a promissory note issued by the Issuer to a beneficiary as contemplated in the Declaration of Trust).

"**OEB**" means the Ontario Energy Board.

"**Offering**" means an offering of senior secured notes pursuant to this confidential shelf offering memorandum and the related Term Sheet as described under *"Plan of Distribution"*.

"**Offering Jurisdiction**" means each of the provinces of Canada.

"**OPA**" means Ontario Power Authority.

"**OPG**" means Ontario Power Generation Inc.

"**Ordinary Resolution**" has the meaning set out under *"Capital Markets Platform — Debtholder Approvals and Meetings — Debtholder Meetings"*.

"**Participants**" has the meaning set out under *"Depository Services"*.

"**Paying Agent**" means any Person authorized by the Issuer to pay any Obligations Secured on behalf of the Issuer.

"**Payment Date**" means the 15th day of each calendar month.

"**Person**" means any individual, corporation, limited liability company, unlimited liability company, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or Governmental Authority.

[63] **Note:** Definition not used.

"**Post-Suspension Refinancing**" has the meaning set out under *"Change of Law Protection Agreement — Suspension Notice & Post-Suspension Refinancings"*.

"**Pre-Approved Refinancing**" has the meaning set out under *"Change of Law Protection Agreement — Suspension Notice & Post-Suspension Refinancings"*.

"**Predecessor IESO**" has the meaning set out under *"The Electricity Industry in Ontario — The IESO"*.

"**Primary Obligation**" has the meaning set out under *"Change of Law Protection Agreement — Approved Obligations & Adherence Conditions"*.

"**Principal Accumulation Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Principal Accumulation Account"*.

"**Principal Accumulation Amount**" means, in respect of any Series of Senior Funding Obligations, Subordinated Funding Obligations or Junior Subordinated Funding Obligations and a Payment Date occurring on or after the Principal Accumulation Date for such Series, the amount specified for such Payment Date in the related Funding Obligation Agreement plus any amounts specified in the related Funding Obligation Agreement in respect of prior Payment Dates after the Principal Accumulation Date for such Series which were not deposited to the Principal Accumulation Account; provided that if the Issuer has delivered a refinancing notice in respect of such Series, the Principal Accumulation Amounts in respect of such Series shall be adjusted as provided for in such refinancing notice.

"**Principal Accumulation Date**" means, in respect of any Series of Issuer Funding Obligations, other than Derivative Funding Obligations, the date, if any, specified in the related Funding Obligation Agreement.

"**Principal Payment Date**" means each business day on which principal is due and payable in respect of Senior Funding Obligations, Subordinated Funding Obligations or Junior Subordinated Funding Obligations, as set out in the related Funding Obligation Agreement.

"**Principal Payment Default Date**" has, with respect to any Issuer Funding Obligation, the meaning specified in the related Funding Obligation Agreement.

"**Program Account**" means each of the Collection Account, the Principal Accumulation Account, the Interest Accumulation Account, the Program Cash Reserve Account, the IESO Cash Reserve Account, the Refinancing Account and the Protection Account.

"**Program Agreements**" means the Master Trust Indenture, each Supplemental Indenture, the Declaration of Trust, the Management Agreement, the Master Transfer and Servicing Agreement, the MTSA Acknowledgement, the Indemnity Agreement, each transfer notice delivered under the Master Transfer and Servicing Agreement, any Co-Owner Agreements, the IESO Security Agreement, the Change of Law Protection Agreement, the Notes, any derivative agreements, credit enhancement agreements, liquidity agreements, loan agreements, underwriting agreements, agency agreements or note purchase agreements and all other documents and certificates delivered in connection therewith.

"**Program Cash Reserve Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Program Cash Reserve Account"*.

"**Program Cash Reserve Required Amount**" means (a) on each Payment Date prior to the Payment Date in May, 2021, nil, and (b) on each Payment Date thereafter, an amount equal to 0.50% of the aggregate outstanding principal amount of the Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations after giving effect to all settlements on such Payment Date, or such lesser amount proposed by the Manager that satisfies the Rating Agency Condition.

"**Protection Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts —*

Program Accounts — Protection Account".

"**Protection Event**" has the meaning set out under *"Change of Law Protection Agreement — Protection Event"*.

"**Rating Agency**" means, with respect to any Issuer Funding Obligation, each nationally recognized statistical rating organization or designated rating organization, as specified in the related Funding Obligation Agreement, selected by the Manager to rate such Issuer Funding Obligation.

"**Rating Agency Condition**" has the meaning set out under *"Rating Agency Condition"*.

"**Readjustment amount**" has the meaning ascribed to the term "readjustment amount" in the FHPA and Regulations.

"**Reference Period**" means:

(a) the period beginning on July 1, 2017 and ending on October 31, 2017; and

(b) during the period beginning on November 1, 2017 and ending on either April 30, 2047 or such later day as may be prescribed by the Regulations

(i) every six-month period following the period mentioned in (a);

(ii) any period shorter than six months, as may be prescribed by the Regulations.

"**Refinancing**" has the meaning ascribed to the term "refinancing" in the FHPA.

"**Refinancing Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Refinancing Account"*.

"**Regulated Price Plan**" or "**RPP**" has the meaning set out under "*The Electricity Industry in Ontario — Electricity Prices*.

"**Regulations**" means the regulations promulgated under the FHPA.

"**Regulatory Asset**" has the meaning set out under *"Ontario's Fair Hydro Plan — Regulatory Asset"*.

"**Required Principal Accumulation Amount (Senior)**" means, in respect of any Principal Payment Date, the aggregate of the Principal Accumulation Amounts in respect of all Senior Funding Obligations for all Payment Dates up to and including such Principal Payment Date, less all amounts that have been applied to principal repayments of Senior Funding Obligations on or prior to such Principal Payment Date.

"**Required Principal Accumulation Amount (Subordinated)**" means, in respect of any Principal Payment Date, the aggregate of the Principal Accumulation Amounts in respect of all Subordinated Funding Obligations for all Payment Dates up to and including such Principal Payment Date, less all amounts that have been applied to principal repayments of Subordinated Funding Obligations on or prior to such Principal Payment Date.

"**Saskatchewan Act**" means *The Securities Act, 1988* (Saskatchewan).

"**Section 130.1**" means section 130.1 of the *Securities Act* (Ontario).

"**Section 150**" means section 150 of the *Securities Act* (New Brunswick).

"**Securities Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Securities Account"*.

"**Senior Funding Obligation**" means Funding Obligations arising under, or in connection with, Notes and

Borrowings that have been designated as "Senior" in the related Funding Obligation Agreement.

"**Senior Notes**" has the meaning set out on the face page of this confidential shelf offering memorandum.

"**Senior Notes, Series 2017-1**" has the meaning set out under *"Short Term Indebtedness"*.

"**Series**" means, with respect to any Class of Issuer Funding Obligations, the Series of the Class specified in the related Funding Obligation Agreement.

"**Series Account**" means each Series Finance Reserve Account and each Series Capital Reserve Account.

"**Series Capital Reserve Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Series Accounts — Series Capital Reserve Account"*.

"**Series Finance Reserve Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Series Accounts — Series Finance Reserve Account"*.

"**Servicer**" means the IESO, as servicer under the Master Transfer and Servicing Agreement.

"**Servicer Default**" means:

(a) any failure by the Servicer to remit to the Collection Account any required remittance that shall continue unremedied for a period of three business days after written notice of such failure is received by the Servicer from the Issuer or after discovery of such failure by a responsible officer of the Servicer;

(b) any failure on the part of the Servicer or, so long as the Servicer is the IESO, any failure on the part of the IESO, as the case may be, to duly observe or to perform in any respect any covenants or agreements of the Servicer or the IESO, as the case may be, set forth in the Master Transfer and Servicing Agreement or in any other Program Agreement to which it is a party (other than as provided in (a) above), which failure shall (i) materially and adversely affect the rights of the Specified Creditors and (ii) continue unremedied for a period of 30 days after the date on which (A) written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer or the IESO, as the case may be, by the Issuer or (B) such failure is discovered by a responsible officer of the Servicer;

(c) any representation or warranty made by the Servicer in the Master Transfer and Servicing Agreement, any other Program Agreement to which it is a party, any transfer notice or any monthly servicer report shall prove to have been incorrect when made, which has a material adverse effect on the Issuer and which remains unremedied for a period of 30 days after the date on which (i) written notice thereof, requiring the same to be remedied, shall have been delivered to the Servicer by the Issuer or (ii) such failure is discovered by a responsible officer of the Servicer;

(d) an insolvency event occurs with respect to the Servicer or the IESO; or

(e) any additional "Servicer Default" as specified in any Co-Owner Agreement occurs.

"**Specified Claims**" has the meaning set out under *"Change of Law Protection Agreement"*.

"**Specified Consumer**" has the meaning set out under *"Ontario's Fair Hydro Plan — Background"*.

"**Specified Creditors**" means, collectively, Noteholders, Lenders, the Paying Agent, the Indenture Trustee, the Issuer Trustee, the Manager, the Servicer, the Province of Ontario, Derivative Counterparties, credit enhancers, Rating Agencies and counterparties to underwriting agreements, agency agreements or note purchase agreements, in each case, to the extent of their claims related to Program Agreements, and any other Person that is owed a payment obligation by the Issuer that gives rise to a Finance Amount in respect of the Issuer.

"**Subordinated Funding Obligations**" means Funding Obligations arising under, or in connection with, Notes and

Borrowings that have been designated as "Subordinated" in the related Funding Obligation Agreement.

"**Subordinated Notes, Series 2017-1**" has the meaning set out under *"Short Term Indebtedness"*.

"**Subrogation Amounts**" has the meaning set out under "*Change of Law Protection Agreement — Protection Event*".

"**Supplemental Indenture**" means a supplemental indenture to the Master Trust Indenture between the Issuer and the Indenture Trustee.

"**Suspension Event**" has the meaning set out under *"Change of Law Protection Agreement — Suspension Notice & Post-Suspension Refinancings"*.

"**Suspension Notice**" has the meaning set out under *"Change of Law Protection Agreement — Suspension Notice & Post-Suspension Refinancings"*.

"**Term Sheet**" has the meaning set out on the face page of this confidential shelf offering memorandum.

"**Terms Document**" means, with respect to any Tranche of Notes, a supplement to the related Supplemental Indenture.

"**Tranche**" means, with respect to any Series of Notes, Notes of such Series which have identical terms, conditions and Tranche designation. Notes of a single Tranche may be issued on different dates.

"**True-up Amount**" has the meaning set out under *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

"**Unitholders**" means FHP2017 Inc., a wholly-owned subsidiary of OPG, and the Indenture Trustee.

"**Warehouse Facilities**" has the meaning set out under *"Short Term Indebtedness"*.

"**Warehouse Obligations**" means Senior Funding Obligations incurred pursuant to a Funding Obligation Agreement that provide the Issuer with a revolving facility under which principal amounts can be advanced, repaid and again advanced during a committed revolving period and does not provide any other type of credit facility.

SCHEDULE A – CANADIAN PROVINCIAL SECURITIES REGULATORY AUTHORITIES

Alberta Securities Commission
Suite 600, 250 – 5th Street SW
Calgary, Alberta T2P 0R4
Telephone: (403) 297-6454
Toll free in Canada: 1-877-355-0585
Facsimile: (403) 297-2082
Public official contact regarding indirect collection of information: FOIP Coordinator

British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia V7Y 1L2
Inquiries: (604) 899-6854
Toll free in Canada: 1-800-373-6393
Facsimile: (604) 899-6581
Email: FOI-privacy@bcsc.bc.ca
Public official contact regarding indirect collection of information: FOI Inquiries

The Manitoba Securities Commission
500 – 400 St. Mary Avenue
Winnipeg, Manitoba R3C 4K5
Telephone: (204) 945-2561
Toll free in Manitoba 1-800-655-5244
Facsimile: (204) 945-0330
Public official contact regarding indirect collection of information: Director

Financial and Consumer Services Commission (New Brunswick)
85 Charlotte Street, Suite 300
Saint John, New Brunswick E2L 2J2
Telephone: (506) 658-3060
Toll free in Canada: 1-866-933-2222
Facsimile: (506) 658-3059
Email: info@fcnb.ca
Public official contact regarding indirect collection of information: Chief Executive Officer and Privacy Officer

Government of Newfoundland and Labrador Financial Services Regulation Division
P.O. Box 8700
Confederation Building
2nd Floor, West Block
Prince Philip Drive
St. John's, Newfoundland and Labrador A1B 4J6
Attention: Director of Securities
Telephone: (709) 729-4189
Facsimile: (709) 729-6187
Public official contact regarding indirect collection of information: Superintendent of Securities

Nova Scotia Securities Commission
Suite 400, 5251 Duke Street
Duke Tower
P.O. Box 458
Halifax, Nova Scotia B3J 2P8
Telephone: (902) 424-7768
Facsimile: (902) 424-4625
Public official contact regarding indirect collection of information: Executive Director

Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, Ontario M5H 3S8
Telephone: (416) 593-8314
Toll free in Canada: 1-877-785-1555
Facsimile: (416) 593-8122
Email: exemptmarketfilings@osc.gov.on.ca
Public official contact regarding indirect collection of information: Inquiries Officer

Prince Edward Island Securities Office
95 Rochford Street, 4th Floor Shaw Building
P.O. Box 2000
Charlottetown, Prince Edward Island C1A 7N8
Telephone: (902) 368-4569
Facsimile: (902) 368-5283
Public official contact regarding indirect collection of information: Superintendent of Securities

Autorité des marchés financiers
800, Square Victoria, 22e étage
C.P. 246, Tour de la Bourse
Montréal, Québec H4Z 1G3
Telephone: (514) 395-0337 or 1-877-525-0337
Facsimile: (514) 873-6155 (For filing purposes only)
Facsimile: (514) 864-6381 (For privacy requests only)
Email: financementdessocietes@lautorite.qc.ca (For corporate finance issuers)
Public official contact regarding indirect collection of information: Corporate Secretary

Financial and Consumer Affairs Authority of Saskatchewan
Suite 601 - 1919 Saskatchewan Drive
Regina, Saskatchewan S4P 4H2
Telephone: (306) 787-5842
Facsimile: (306) 787-5899
Public official contact regarding indirect collection of information: Director

EXHIBIT 1

INVESTOR PRESENTATION

(See attached.)

From: VINER, JON [JON.VINER@blakes.com]
To: Ken Kandeepan [Ken.Kandeepan@ofina.on.ca]; 'Thouin, Alena (ENERGY)' [Alena.Thouin@ontario.ca]; Tobias P. Whitfield (MOF) [Tobias.Whitfield@ontario.ca]; Mike Manning [Mike.Manning@ofina.on.ca]; Malle Hanslep (MOF) [Malle.Hanslep@ontario.ca]; Anna Strathy [Anna.Strathy@ofina.on.ca]; Ronald Kwan [Ronald.Kwan@ofina.on.ca]; Tim Christie (ENERGY) [Tim.Christie@ontario.ca]; Veinot, Cindy (TBS) [Cindy.Veinot@ontario.ca]; Mark Donaldson (MOF) [Mark.Donaldson@ontario.ca]; Sawwaf, Khareem (ENERGY) [Khareem.Sawwaf@ontario.ca]; Huang, Jackson (MEDG/MRIS) [Jackson.Huang@ontario.ca]; Daniel Cayley (ENERGY) [Daniel.Cayley@ontario.ca]; Lightbody, Ava (ENERGY) [Ava.Lightbody@ontario.ca]; James Rehob (ENERGY) [James.Rehob@ontario.ca]
CC: ASHBOURNE, STEPHEN [STEPHEN.ASHBOURNE@blakes.com]
Subject: RE: Fair Hydro Trust OM - Comments
Date: Friday, January 12, 2018 11:59:14
Attachment 1: imageb57879.GIF
Attachment 2: 12928826-vpdf-Form of Series 2018-1 Senior Notes Term Sheet (Fair Hydro ....pdf
Attachment 3: 12928826-v2-Form of Series 2018-1 Senior Notes Term Sheet (Fair Hydro Tr....docx

---

All,

Apologies for the double-email; I'm following up with one further document:

- Clean and blacklined copies of the term sheet for the 2018-1 senior notes.

Best,

Jon

Jon Viner

Associate

jon.viner@blakes.com

Dir: 416-863-2499

———————————

Blake, Cassels & Graydon LLP
199 Bay Street, Suite 4000, Toronto ON M5L 1A9
Tel: 416-863-2400 Fax: 416-863-2653
blakes.com[blakes.com] **| Twitter**[twitter.com] **| Unsubscribe**[blakes.com]

Blake, Cassels & Graydon LLP | Barristers & Solicitors | Patent & Trade-mark Agents
This email communication is CONFIDENTIAL AND LEGALLY PRIVILEGED. If you are not the intended recipient, please notify me at the telephone number shown above or by return email and delete this communication and any copy immediately. Thank you.

L'information paraissant dans ce message électronique est CONFIDENTIELLE. Si ce message vous est parvenu par erreur, veuillez immédiatement m'en aviser par téléphone ou par courriel et en détruire toute copie. Merci.

From: VINER, JON
Sent: Friday, January 12, 2018 10:52 AM
To: Ken Kandeepan; 'Thouin, Alena (ENERGY)'; Tobias P. Whitfield (MOF); Mike Manning; Malle Hanslep (MOF); Anna Strathy; Ronald Kwan; Tim Christie (ENERGY); Veinot, Cindy (TBS); Mark Donaldson (MOF); Sawwaf, Khareem (ENERGY); Huang, Jackson (MEDG/MRIS); Daniel Cayley (ENERGY); Lightbody, Ava (ENERGY); James Rehob (ENERGY)
Cc: ASHBOURNE, STEPHEN
Subject: Fair Hydro Trust OM - Comments

All,

Please for your reference please find attached copies of the following documents:

- Clean copy of comments on the FHT OM
- Blacklined copy of comments on the FHT OM showing changes against Torys' draft
- Blacklined copy of comments on the FHT OM showing changes against the previously circulated draft
- Comments on the Investor Presentation (with revisions indicated in red, blue or highlighted text).

Once you have had a chance to review, please let us know if you would like to discuss.

Kind regards,

Jon

Jon Viner

Associate

jon.viner@blakes.com

Dir: 416-863-2499

This indicative term sheet accompanies, is incorporated by reference in and forms part of the confidential shelf offering memorandum (the "confidential shelf offering memorandum") dated January ●, 2018 of Fair Hydro Trust (the "Issuer") and is subject to all of the restrictions, conditions and limitations set out in the confidential shelf offering memorandum. This term sheet and the confidential shelf offering memorandum constitute an offering of these securities only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale. The Issuer is not obligated to accept an offer to purchase the securities described herein.

The summary below describes the principal terms of the Series 2018-1 Senior Notes (as defined below). Certain of the terms summarized below are subject to important limitations and exceptions. The following is not intended to be complete. Prospective investors should review the "Description of Notes" section of the confidential shelf offering memorandum which contains a more detailed description of certain terms of the Series 2018-1 Senior Notes and the master trust indenture (the "Master Trust Indenture") between the Issuer and BNY Trust Company of Canada, acting as trustee, dated December 21, 2017 (and to which the Series 2018-1 Senior Notes will be subject), as supplemented by the term senior series 2018-1 supplemental indenture to the Master Trust Indenture pursuant to which the Series 2018-1 Senior Notes will be issued (together with the Master Trust Indenture, the "Indenture"). In the event of any inconsistency between this indicative term sheet and the confidential shelf offering memorandum, the terms of this indicative term sheet apply. Certain capitalized terms used and not otherwise defined in the summary below have the meanings given thereto in the confidential shelf offering memorandum.

New Issue by Way of Private Placement *January ●, 2018*

FAIR HYDRO TRUST

●% SENIOR NOTES DUE ●, Series 2018-1

Indicative Term Sheet

Issuer:	Fair Hydro Trust, a special purpose trust ~~established under~~governed by the laws of the Province of Ontario.
Issue:	●% Senior Notes due ●, Series 2018-1 (the "**Series 2018-1 Senior Notes**").
Credit Ratings:	DBRS: ● (●) Moody's: ● (●)
Principal Amount:	$●
Term:	● years[1]
Launch Date:	●, 2018
Pricing Date:	●, 2018
Settlement Date:	●, 2018 (T+3)
Interest Rate:	●%
Issue Spread:	+● bps (+/-● bps) versus Government of Canada curve interpolated between CAN ●% due ● and CAN ●% due ● +● bps (including a ● bps curve adjustment) versus the CAN ●% due ● (priced at $● to yield ●%)

[1] Please confirm if a single principal payment date is contemplated. Does this need to be reconciled with the "legal final maturity date" concept?

Issue Yield: ●%

Issue Price: $● for each $1,000 principal amount of Series 2018-1 Senior Notes sold.

Agents Commission: **$●**

Net Proceeds: $●

Interest Payment Dates: Interest on the Series 2018-1 Senior Notes shall be payable in equal (except the initial interest payment) semi-annual instalments in arrears on April 15 and October 15 of each year, commencing April 15, 2018 (short first coupon). The first interest payment on the Series 2018-1 Senior Notes will include accrued and unpaid interest for the period from, and including, the closing date of this Offering (the "**Series 2018-1 Senior Notes Offering**") to, but excluding, the first interest payment date for the Series 2018-1 Senior Notes. The first interest payment will be in an amount equal to $● per $1,000 principal amount of Series 2018-1 Senior Notes.

If an interest payment date is not a business day in Toronto, then the payment will be made on the next business day with no adjustment. For any period less than a full semi-annual interest period, interest will be calculated on an actual/365 basis.

Principal Accumulation Date(s) and Principal Accumulation Amount(s):

Principal Accumulation Dates	**Principal Accumulation Amounts**
●, 20●	$●

Principal Payment Date(s) and Principal Payment Amount(s):

Principal Payment Date	**Principal Payment Amount**
●, 20●	$●

Principal Payment Default Date: ●, 20●

Optional Redemption: The Series 2018-1 Senior Notes will be redeemable at the option of the Issuer, in whole or in part, at any time and from time to time, on not less than 15 nor more than 60 days' notice at the redemption price specified below. At any time prior to the Par Call Date, the redemption price will be equal to the greater of (i) the Series 2018-1 Canada Yield Price and (ii) par, plus, in each case, accrued and unpaid interest to, but not including, the date of redemption. On or after the Par Call Date, the redemption price will be equal to par, plus accrued and unpaid interest to, but not including, the date of redemption.

"**Par Call Date**" means ●, 20●.

"**Series 2018-1 Canada Yield Price**" means a price equal to the price of the Series 2018-1 Senior Notes calculated to provide a yield to the Par Call Date, compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, equal to the Government of Canada Yield calculated at 10:00 a.m. (Toronto time) on the third Business Day preceding the date of redemption, plus ●% per annum.

"**Government of Canada Yield**" on any date means, in respect of the Series 2018-1 Senior Notes being redeemed, the yield from the redemption date to the Par Call Date compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, which a non-callable

	Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on such date with a term to maturity equal to, or if no Government of Canada bond having an equal term to maturity exists, as close as possible to, the Par Call Date (calculated from the date of redemption), such yield being expressed as a per annum rate equal to the average of the per annum yields provided by two major Canadian investment dealers specified by the Issuer.
Limited Recourse:	The Series 2018-1 Senior Notes do not constitute a debt, liability or other obligation of, or interest in, OPG or any of its other affiliates (other than the Issuer). The Series 2018-1 Senior Notes are not a debt, liability or obligation of the Province of Ontario or any of its political subdivisions, agencies or instrumentalities. The Series 2018-1 Senior Notes will not be insured or guaranteed by the Province of Ontario, OPG or any of their respective affiliates or any other person or entity, except that the Province of Ontario has agreed to provide a limited guarantee in respect of the Series 2018-1 Senior Notes following the occurrence of certain events. See the confidential shelf offering memorandum under *"Change of Law Protection Agreement"*. The Series 2018-1 Senior Notes will be limited recourse obligations, secured only by the collateral described in the confidential shelf offering memorandum. See the confidential shelf offering memorandum under "*Capital Markets Platform — Acceleration and Remedies — Limited Recourse*" and *"Risk Factors"*.
Use of Proceeds:	The net proceeds from the Series 2018-1 Senior Notes Offering will be used as follows: **[(i) to refinance $● of indebtedness of the Issuer originally incurred to purchase an Investment Interest from the IESO pursuant to the Master Transfer and Servicing Agreement and (ii) to pay the Series 2018-1 Senior Notes Offering and related costs of the Issuer in an approximate amount of $●. See *"Consolidated Capitalization"*.]**
Ranking:	Subject to the applicable payment waterfalls in the Master Trust Indenture, the Series 2018-1 Senior Notes will be direct, secured and unsubordinated obligations of the Issuer, and will at all times rank equally and proportionately with each other and all other senior indebtedness issued by the Issuer from time to time pursuant to the Indenture, without discrimination or preference.
Additional Security:	No Series Account will be established for the Series 2018-1 Senior Notes. No credit enhancement agreement or liquidity agreement has been entered into for the benefit of the Series 2018-1 Noteholders.
Currency:	Canadian dollars.
Minimum Subscription:	Minimum principal amount of $150,000.
Form and Denomination:	Book entry only through participants in CDS. The Series 2018-1 Senior Notes will be issued in multiples of $1,000.
CUSIP/ISIN:	CUSIP – ● ISIN – ●
Agents:	**[CIBC World Markets Inc., Goldman Sachs Canada Inc., RBC Dominion Securities Inc. (as co-leads and co-bookrunners)]**, ●, ●, and ●.

Any statement contained in the confidential shelf offering memorandum or in any document incorporated or deemed to be incorporated by reference in the confidential shelf offering memorandum shall be deemed to be modified or superseded, to the extent that a statement contained herein or in any other subsequent document which is or is deemed to be incorporated by reference in the confidential shelf offering memorandum, modifies or supersedes such prior statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of the confidential shelf offering memorandum, except as so modified or superseded.

CIBC World Markets Inc., RBC Dominion Securities Inc. and Goldman Sachs Canada Inc. are each, directly or indirectly, a wholly-owned or majority-owned subsidiary or affiliate of a financial institution which is a lender to the Issuer and to which the Issuer is currently indebted under the terms of the Warehouse Facilities (as described herein). The Issuer may use a portion of the net proceeds of the Series 2018-1 Senior Notes Offering to repay certain indebtedness under the Warehouse Facilities. Consequently, the Issuer may be considered to be a "connected issuer", of certain of the Agents for the purposes of securities regulations in certain provinces. See "Relationship between the Issuer and the Agents".

CAPITALIZATION

On December 21, 2017, the Issuer entered into the following supplemental indentures under the Master Trust Indenture for the provision of an aggregate of approximately $1.56 billion in short term indebtedness (collectively, the "**Warehouse Facilities**"), of which a total of $1.179 billion is drawn as of the date hereof:

(i) a warehouse senior series 2017-1 supplemental indenture with, among others, Royal Bank of Canada, as administrative agent for certain commercial paper conduit purchasers and financial institutions named therein, for the provision of an aggregate maximum principal amount of $800,000,000 floating rate variable funding Senior Notes, Series 2017-1 ("**Senior Notes, Series 2017-1**"), of which $601,290,000 is drawn. See "*Relationship between the Issuer and the Agents*";

(ii) a warehouse subordinated series 2017-1 supplemental indenture with, among others, OPG for the provision of an aggregate maximum principal amount of $611,764,705.88 floating rate variable funding Subordinated Notes, Series 2017-1 ("**Subordinated Notes, Series 2017-1**"), of which $459,810,000 is drawn; and

(iii) a warehouse junior subordinated series 2017-1 supplemental indenture with, among others, OPG for the provision of an aggregate maximum principal amount of $156,862,745.10 floating rate variable funding Junior Subordinated Notes, Series 2017-1 ("**Junior Subordinated Notes, Series 2017-1**"), of which $117,900,000 is drawn.

The issuance of Senior Notes, Series 2017-1, Subordinated Notes, Series 2017-1 and Junior Subordinated Notes, Series 2017-1 under the Warehouse Facilities described above were used to acquire a $1.179 billion Investment Interest from the IESO on December 21, 2017.

[NTD: If there are subsequent draws on the warehouse before the launch of the Series 2018-1 Senior Notes Offering, this section to be updated.]

Concurrently with the issuance of the Series 2018-1 Senior Notes, OPG will also subscribe for:

(i) $● of ●% subordinated notes due ●, Series 2018-1; and
(ii) $● of ●% subordinated junior notes due ●, Series 2018-1.

The following table summarizes the capitalization of the Issuer as at the dates indicated before and after completion of the Series 2018-1 Senior Notes Offering.

	As at December 31, 2017 before giving effect to the Series 2018-1 Senior Notes Offering	**As at December 31, 2017 after giving effect to the Series 2018-1 Senior Notes Offering**
Cash and Cash Equivalents……..	Nil	Nil
Debt		
Long-term debt, including current portion…….	Nil	$●
Short-term debt……...	**$[1,179,000,000.00]**(1)	**$[1,179,000,000.00]**
Bank indebtedness……..	Nil	Nil
Total Debt……	**$[1,179,000,000.00]**(1)	$●
Equity		
Equity……	$10,000.01	$10,000.01

~~12928826.1~~
12928826.2

Total Capitalization.....	$**[1,179,010,000.01]**[1]	$●

(1) Representing Notes outstanding as of the date hereof under the Warehouse Facilities as follows: (i) $601,290,000, or 51% of all short-term debt, represented by Senior Notes, Series 2017-1; (ii) $459,810,000, or 39% of all short term debt, represented by Subordinated Notes, Series 2017-1 held by OPG; and (iii) $117,900,000 of which, or 10% of all short term debt, represented by Junior Subordinated Notes held by OPG.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Torys LLP and Osler, Hoskin & Harcourt LLP, the following summary describes the principal Canadian federal income tax considerations generally applicable under the Income Tax Act (Canada) (the "**Tax Act**") to a holder who acquires Series 2018-1 Senior Notes as beneficial owner pursuant to the Series 2018-1 Senior Notes Offering and who, for purposes of the Tax Act and at all relevant times, deals at arm's length and is not affiliated with the Issuer, and holds Series 2018-1 Senior Notes as capital property (a "**Holder**"). Generally, the Series 2018-1 Senior Notes will be capital property to a Holder provided that the Holder does not acquire or hold the Series 2018-1 Senior Notes in the course of carrying on a business or as part of an adventure or concern in the nature of trade. Certain holders who might not otherwise be considered to hold their Series 2018-1 Senior Notes as capital property may, in certain circumstances, be entitled to treat their Series 2018-1 Senior Notes and any other "Canadian security" (as defined in the Tax Act) owned by them in the taxation year of the election and all subsequent taxation years as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such holders are advised to consult their own tax advisors to determine whether such an election is available and desirable in their particular circumstances.

This summary is not applicable to a holder: (i) that is a "financial institution" (as defined in the Tax Act for purposes of the "mark to market property" and "specified debt obligation" rules); (ii) an interest in which is a "tax shelter investment" (as defined in the Tax Act); (iii) that reports its "Canadian tax results" (as defined in the Tax Act) in a currency other than Canadian dollars; or (iv) that has entered into or will enter into a "derivative forward agreement" as defined in the Tax Act in respect of the Series 2018-1 Senior Notes. Any such holders should consult their own tax advisors with respect to an investment in the Series 2018-1 Senior Notes. In addition, this summary does not address the deductibility of interest by a holder who has borrowed money to acquire Series 2018-1 Senior Notes.

On July 18, 2017, the Minister of Finance (Canada) released a consultation paper that included an announcement of its intention to amend the Tax Act to increase the amount of tax applicable to passive investment income earned through a private corporation. No specific amendments to the Tax Act were proposed in connection with this announcement and this summary does not consider the implications of this announcement. On October 18, 2017, the Minister of Finance (Canada) announced that the government intends to move forward with the planned amendments subject to further developments to address concerns of business owners the details of which are not yet available. Holders that are private corporations should consult their own tax advisors regarding the implications of these announcements with respect to their particular circumstances.

This summary is based upon the facts set out in the confidential shelf offering memorandum, the current provisions of the Tax Act and the regulations thereunder (the "**Regulations**"), all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**") and counsel's understanding of the current published administrative policies and practices of the Canada Revenue Agency. There can be no assurance that any Tax Proposals will be implemented in their current form or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policies and practices, whether by legislative, administrative or judicial action nor does it take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed herein.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in the Series 2018-1 Senior Notes. Moreover, the income and other tax consequences of acquiring, holding or disposing of the Series 2018-1 Senior Notes will vary depending on the Holder's particular circumstances, including the province or territory, or provinces or territories, in which the Holder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any particular Holder, and no representations with respect to the income tax consequences to any Holder are made. Investors should consult their own tax advisors for advice with respect to the tax consequences of an investment in the Series 2018-1 Senior Notes based on

their particular circumstances. This summary does not address any tax considerations applicable to persons other than Holders and such persons should consult their own tax advisors regarding the consequences of acquiring, holding and disposing of Series 2018-1 Senior Notes under the Tax Act and any jurisdiction in which they may be subject to tax.

Foreign Exchange

For purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Series 2018-1 Senior Notes must be expressed in Canadian dollars, including any interest, adjusted cost base and proceeds of disposition. For purposes of the Tax Act, amounts denominated in a currency other than the Canadian dollar generally must be converted into Canadian dollars in accordance with the Tax Act on the date such amounts first arose. A Holder may realize a capital gain or a capital loss on the disposition or deemed disposition of a Series 2018-1 Senior Note by virtue of fluctuations in the value of the U.S. dollar relative to the Canadian dollar. The amount of interest or other amounts required to be included in computing the Holder's income for a taxation year will also be affected by fluctuations in the U.S. dollar relative to the Canadian dollar.

Interest on Series 2018-1 Senior Notes

A Holder that is a corporation, partnership, unit trust or any trust of which a corporation or partnership is a beneficiary will be required to include in computing its income for a taxation year all interest on the Series 2018-1 Senior Notes that accrues or is deemed to accrue to such Holder to the end of the particular taxation year or that becomes receivable or is received by the Holder before the end of that taxation year, including on a redemption or repayment on maturity, except to the extent that such interest was included in computing the Holder's income for a preceding taxation year.

Any other Holder, including an individual, will be required to include in computing its income for a taxation year all interest on the Series 2018-1 Senior Notes that is received or receivable by the Holder in that taxation year (depending upon the method regularly followed by the Holder in computing income), including on a redemption, purchase for cancellation, or repayment on maturity, except to the extent that the interest was included in the Holder's income for a preceding taxation year.

Any premium paid by the Issuer to a Holder on the redemption of a Series 2018-1 Senior Note or a purchase for cancellation of a Series 2018-1 Senior Note (other than in the open market in the manner any such obligation would normally be purchased in the open market by any member of the public), will generally be deemed to be interest received at the time by the Holder to the extent that such premium can reasonably be considered to relate to, and does not exceed the value at the time of the redemption of or purchase for cancellation of, the interest that, would have been paid or payable by the Issuer on the Series 2018-1 Senior Note for a taxation year ending after the redemption or purchase for cancellation, and to the extent such premium was not otherwise included in computing the Holder's income for that taxation year or a previous taxation year.

Where a Holder is required to include in income interest on a Series 2018-1 Senior Note that accrued before such Series 2018-1 Senior Note was acquired by the Holder, the Holder will be entitled to a deduction in computing income of an equivalent amount. The adjusted cost base to the Holder of the Series 2018-1 Senior Note will be reduced by the amount which is so deductible.

If a Series 2018-1 Senior Note is purchased by a Holder at a discount from its face value, the Holder may be required to include an amount equal to such discount in computing income, either in accordance with the deemed interest accrual rules contained in the Tax Act and Regulations or in the taxation year in which an amount in respect of the discount is received or receivable by the Holder. Holders should consult their own tax advisors in these circumstances as the treatment of the discount may vary with the facts and circumstances giving rise to the discount.

Disposition of Series 2018-1 Senior Notes

On a disposition or deemed disposition of a Series 2018-1 Senior Note (including a redemption, purchase for cancellation or repayment at maturity), a Holder will generally be required to include in income any premium deemed to be interest and the amount of interest accrued, or deemed to have accrued, on the Series 2018-1 Senior Note from the

date of the last interest payment to the date of disposition to the extent that such amount has not otherwise been included in the Holder's income for the taxation year or a previous taxation year.

A disposition or deemed disposition by a Holder of a Series 2018-1 Senior Note will generally result in the Holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any accrued interest or any amount deemed to be interest, exceed (or are exceeded by) the aggregate of the Holder's adjusted cost base thereof and any reasonable costs of disposition.

One half of any capital gain (a "**taxable capital gain**") generally must be included in the Holder's income for the taxation year of the disposition, and one half of any capital loss (an "**allowable capital loss**") realized in a taxation year must be deducted from taxable capital gains realized in that year. Allowable capital losses in excess of taxable capital gains realized in a taxation year may be deducted from net taxable capital gains realized in the three preceding taxation years or any subsequent taxation year, subject to detailed rules contained in the Tax Act in this regard. A capital gain realized by an individual (other than certain specified trusts) may give rise to a liability for alternative minimum tax.

Eligibility for Investment

The Series 2018-1 Senior Notes would, if acquired on the date hereof and if they (i) are issued as part of a single issue of debt of at least $25 million and (ii) have an investment grade rating with certain rating agencies prescribed under the Tax Act, be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan ("**RRSP**"), registered retirement income fund ("**RRIF**"), registered education savings plan ("**RESP**"), registered disability savings plan ("**RDSP**"), tax free savings account ("**TFSA**") and deferred profit sharing plan ("**DPSP**") (except for a trust governed by a DPSP to which the Issuer has made a contribution).

Even if the Series 2018-1 Senior Notes may be qualified investments for a trust governed by an RRSP, RRIF, RESP, RDSP or TFSA, if the Series 2018-1 Senior Notes are "prohibited investments" (as defined in section 207.01 of the Tax Act) for an RRSP, RRIF, RESP, RDSP or TFSA, then a holder of the TFSA or RDSP, a subscriber of the RESP or an annuitant of the RRSP or RRIF, as the case may be, will be subject to a penalty tax as set out in the Tax Act. The Series 2018-1 Senior Notes would not be prohibited investments on the date hereof, provided (i) the holder of the TFSA or RDSP, the subscriber of the RESP or the annuitant of the RRSP or RRIF, as the case may be, deals at arm's length with the Issuer within the meaning of the Tax Act, and (ii) does not have a "significant interest" within the meaning of subsection 207.01(4) of the Tax Act in the Issuer. Investors intending to hold the Series 2018-1 Senior Notes in a TFSA, RRSP, RRIF, RESP or RDSP should consult their own advisors as to whether the Series 2018-1 Senior Notes would be a prohibited investment in their particular circumstances.

RELATIONSHIP BETWEEN THE ISSUER AND THE AGENTS

CIBC World Markets Inc., RBC Dominion Securities Inc. and Goldman Sachs Canada Inc. are each, directly or indirectly, a wholly-owned or majority-owned subsidiary or affiliate of a financial institution which is a lender to the Issuer and to which the Issuer is currently indebted under the terms of the Warehouse Facilities. The Issuer may use a portion of the net proceeds of the Series 2018-1 Senior Notes Offering to repay certain indebtedness under the Warehouse Facilities. Consequently, the Issuer may be considered to be a "connected issuer", of certain of the Agents under applicable Canadian securities legislation. As of the date of this Term Sheet, the Issuer is in compliance with the terms of its indebtedness under the Warehouse Facilities. Since the indebtedness under the Warehouse Facilities was incurred, the financial position of the Issuer has not materially changed. As of ●, the Issuer had approximately $● billion outstanding under the Warehouse Facilities. CIBC World Markets Inc., RBC Dominion Securities Inc. and Goldman Sachs Canada Inc. have each advised that the decision to act as Agents for the Series 2018-1 Senior Notes Offering was made independently of the lenders under the Warehouse Facilities and the lenders had no influence as to the determination of the terms of the distribution. None of CIBC World Markets Inc., RBC Dominion Securities Inc. and Goldman Sachs Canada Inc. will receive any benefit in connection with the Series 2018-1 Senior Notes Offering other than its respective portion of the Agents' fee payable by the Issuer

LEGAL MATTERS

Certain Canadian legal matters in connection with the Series 2018-1 Senior Notes Offering will be passed upon by Torys LLP on behalf of the Issuer and by Osler, Hoskin & Harcourt LLP on behalf of the Agents.

~~12928826.1~~
12928826.2

Document comparison by Workshare Compare on Friday, January 12, 2018 10:06:13 AM

Input:	
Document 1 ID	PowerDocs://TOR_2024/12928826/1
Description	TOR_2024-#12928826-v1-Form_of_Series_2018-1_Senior_Notes_Term_Sheet_(Fair_Hydro_Trust)
Document 2 ID	PowerDocs://TOR_2024/12928826/2
Description	TOR_2024-#12928826-v2-Form_of_Series_2018-1_Senior_Notes_Term_Sheet_(Fair_Hydro_Trust)
Rendering set	Standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	12
Deletions	4
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	16

This indicative term sheet accompanies, is incorporated by reference in and forms part of the confidential shelf offering memorandum (the "confidential shelf offering memorandum") dated January ●, 2018 of Fair Hydro Trust (the "Issuer") and is subject to all of the restrictions, conditions and limitations set out in the confidential shelf offering memorandum. This term sheet and the confidential shelf offering memorandum constitute an offering of these securities only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale. The Issuer is not obligated to accept an offer to purchase the securities described herein.

The summary below describes the principal terms of the Series 2018-1 Senior Notes (as defined below). Certain of the terms summarized below are subject to important limitations and exceptions. The following is not intended to be complete. Prospective investors should review the "Description of Notes" section of the confidential shelf offering memorandum which contains a more detailed description of certain terms of the Series 2018-1 Senior Notes and the master trust indenture (the "Master Trust Indenture") between the Issuer and BNY Trust Company of Canada, acting as trustee, dated December 21, 2017 (and to which the Series 2018-1 Senior Notes will be subject), as supplemented by the term senior series 2018-1 supplemental indenture to the Master Trust Indenture pursuant to which the Series 2018-1 Senior Notes will be issued (together with the Master Trust Indenture, the "Indenture"). In the event of any inconsistency between this indicative term sheet and the confidential shelf offering memorandum, the terms of this indicative term sheet apply. Certain capitalized terms used and not otherwise defined in the summary below have the meanings given thereto in the confidential shelf offering memorandum.

New Issue by Way of Private Placement *January ●, 2018*

FAIR HYDRO TRUST

●% SENIOR NOTES DUE ●, Series 2018-1

Indicative Term Sheet

Issuer:	Fair Hydro Trust, a special purpose trust governed by the laws of the Province of Ontario.
Issue:	●% Senior Notes due ●, Series 2018-1 (the "**Series 2018-1 Senior Notes**").
Credit Ratings:	DBRS: ● (●) Moody's: ● (●)
Principal Amount:	$●
Term:	● years[1]
Launch Date:	●, 2018
Pricing Date:	●, 2018
Settlement Date:	●, 2018 (T+3)
Interest Rate:	●%
Issue Spread:	+● bps (+/-● bps) versus Government of Canada curve interpolated between CAN ●% due ● and CAN ●% due ● +● bps (including a ● bps curve adjustment) versus the CAN ●% due ● (priced at $● to yield ●%)

[1] Please confirm if a single principal payment date is contemplated. Does this need to be reconciled with the "legal final maturity date" concept?

Issue Yield: ●%

Issue Price: $● for each $1,000 principal amount of Series 2018-1 Senior Notes sold.

Agents Commission: **$●**

Net Proceeds: $●

Interest Payment Dates: Interest on the Series 2018-1 Senior Notes shall be payable in equal (except the initial interest payment) semi-annual instalments in arrears on April 15 and October 15 of each year, commencing April 15, 2018 (short first coupon). The first interest payment on the Series 2018-1 Senior Notes will include accrued and unpaid interest for the period from, and including, the closing date of this Offering (the "**Series 2018-1 Senior Notes Offering**") to, but excluding, the first interest payment date for the Series 2018-1 Senior Notes. The first interest payment will be in an amount equal to $● per $1,000 principal amount of Series 2018-1 Senior Notes.

If an interest payment date is not a business day in Toronto, then the payment will be made on the next business day with no adjustment. For any period less than a full semi-annual interest period, interest will be calculated on an actual/365 basis.

Principal Accumulation Date(s) and Principal Accumulation Amount(s):

Principal Accumulation Dates	**Principal Accumulation Amounts**
●, 20●	$●

Principal Payment Date(s) and Principal Payment Amount(s):

Principal Payment Date	**Principal Payment Amount**
●, 20●	$●

Principal Payment Default Date: ●, 20●

Optional Redemption: The Series 2018-1 Senior Notes will be redeemable at the option of the Issuer, in whole or in part, at any time and from time to time, on not less than 15 nor more than 60 days' notice at the redemption price specified below. At any time prior to the Par Call Date, the redemption price will be equal to the greater of (i) the Series 2018-1 Canada Yield Price and (ii) par, plus, in each case, accrued and unpaid interest to, but not including, the date of redemption. On or after the Par Call Date, the redemption price will be equal to par, plus accrued and unpaid interest to, but not including, the date of redemption.

"**Par Call Date**" means ●, 20●.

"**Series 2018-1 Canada Yield Price**" means a price equal to the price of the Series 2018-1 Senior Notes calculated to provide a yield to the Par Call Date, compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, equal to the Government of Canada Yield calculated at 10:00 a.m. (Toronto time) on the third Business Day preceding the date of redemption, plus ●% per annum.

"**Government of Canada Yield**" on any date means, in respect of the Series 2018-1 Senior Notes being redeemed, the yield from the redemption date to the Par Call Date compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on such date with a term to maturity

	equal to, or if no Government of Canada bond having an equal term to maturity exists, as close as possible to, the Par Call Date (calculated from the date of redemption), such yield being expressed as a per annum rate equal to the average of the per annum yields provided by two major Canadian investment dealers specified by the Issuer.
Limited Recourse:	The Series 2018-1 Senior Notes do not constitute a debt, liability or other obligation of, or interest in, OPG or any of its other affiliates (other than the Issuer). The Series 2018-1 Senior Notes are not a debt, liability or obligation of the Province of Ontario or any of its political subdivisions, agencies or instrumentalities. The Series 2018-1 Senior Notes will not be insured or guaranteed by the Province of Ontario, OPG or any of their respective affiliates or any other person or entity, except that the Province of Ontario has agreed to provide a limited guarantee in respect of the Series 2018-1 Senior Notes following the occurrence of certain events. See the confidential shelf offering memorandum under "*Change of Law Protection Agreement*". The Series 2018-1 Senior Notes will be limited recourse obligations, secured only by the collateral described in the confidential shelf offering memorandum. See the confidential shelf offering memorandum under "*Capital Markets Platform — Acceleration and Remedies — Limited Recourse*" *and "Risk Factors"*.
Use of Proceeds:	The net proceeds from the Series 2018-1 Senior Notes Offering will be used as follows: **[(i) to refinance $● of indebtedness of the Issuer originally incurred to purchase an Investment Interest from the IESO pursuant to the Master Transfer and Servicing Agreement and (ii) to pay the Series 2018-1 Senior Notes Offering and related costs of the Issuer in an approximate amount of $●. See *"Consolidated Capitalization"*.]**
Ranking:	Subject to the applicable payment waterfalls in the Master Trust Indenture, the Series 2018-1 Senior Notes will be direct, secured and unsubordinated obligations of the Issuer, and will at all times rank equally and proportionately with each other and all other senior indebtedness issued by the Issuer from time to time pursuant to the Indenture, without discrimination or preference.
Additional Security:	No Series Account will be established for the Series 2018-1 Senior Notes. No credit enhancement agreement or liquidity agreement has been entered into for the benefit of the Series 2018-1 Noteholders.
Currency:	Canadian dollars.
Minimum Subscription:	Minimum principal amount of $150,000.
Form and Denomination:	Book entry only through participants in CDS. The Series 2018-1 Senior Notes will be issued in multiples of $1,000.
CUSIP/ISIN:	CUSIP – ● ISIN – ●
Agents:	**[CIBC World Markets Inc., Goldman Sachs Canada Inc., RBC Dominion Securities Inc. (as co-leads and co-bookrunners)]**, ●, ●, and ●.

Any statement contained in the confidential shelf offering memorandum or in any document incorporated or deemed to be incorporated by reference in the confidential shelf offering memorandum shall be deemed to be modified or superseded, to the extent that a statement contained herein or in any other subsequent document which is or is deemed to be incorporated by reference in the confidential shelf offering memorandum, modifies or supersedes such prior statement. The modifying or superseding statement need not state that it has modified or superseded a prior

statement or include any other information set forth in the document which it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of the confidential shelf offering memorandum, except as so modified or superseded.

CIBC World Markets Inc., RBC Dominion Securities Inc. and Goldman Sachs Canada Inc. are each, directly or indirectly, a wholly-owned or majority-owned subsidiary or affiliate of a financial institution which is a lender to the Issuer and to which the Issuer is currently indebted under the terms of the Warehouse Facilities (as described herein). The Issuer may use a portion of the net proceeds of the Series 2018-1 Senior Notes Offering to repay certain indebtedness under the Warehouse Facilities. Consequently, the Issuer may be considered to be a "connected issuer", of certain of the Agents for the purposes of securities regulations in certain provinces. See "Relationship between the Issuer and the Agents".

CAPITALIZATION

On December 21, 2017, the Issuer entered into the following supplemental indentures under the Master Trust Indenture for the provision of an aggregate of approximately $1.56 billion in short term indebtedness (collectively, the "**Warehouse Facilities**"), of which a total of $1.179 billion is drawn as of the date hereof:

(i) a warehouse senior series 2017-1 supplemental indenture with, among others, Royal Bank of Canada, as administrative agent for certain commercial paper conduit purchasers and financial institutions named therein, for the provision of an aggregate maximum principal amount of $800,000,000 floating rate variable funding Senior Notes, Series 2017-1 ("**Senior Notes, Series 2017-1**"), of which $601,290,000 is drawn. See "*Relationship between the Issuer and the Agents*";

(ii) a warehouse subordinated series 2017-1 supplemental indenture with, among others, OPG for the provision of an aggregate maximum principal amount of $611,764,705.88 floating rate variable funding Subordinated Notes, Series 2017-1 ("**Subordinated Notes, Series 2017-1**"), of which $459,810,000 is drawn; and

(iii) a warehouse junior subordinated series 2017-1 supplemental indenture with, among others, OPG for the provision of an aggregate maximum principal amount of $156,862,745.10 floating rate variable funding Junior Subordinated Notes, Series 2017-1 ("**Junior Subordinated Notes, Series 2017-1**"), of which $117,900,000 is drawn.

The issuance of Senior Notes, Series 2017-1, Subordinated Notes, Series 2017-1 and Junior Subordinated Notes, Series 2017-1 under the Warehouse Facilities described above were used to acquire a $1.179 billion Investment Interest from the IESO on December 21, 2017.

[NTD: If there are subsequent draws on the warehouse before the launch of the Series 2018-1 Senior Notes Offering, this section to be updated.]

Concurrently with the issuance of the Series 2018-1 Senior Notes, OPG will also subscribe for:

(i) $● of ●% subordinated notes due ●, Series 2018-1; and
(ii) $● of ●% subordinated junior notes due ●, Series 2018-1.

The following table summarizes the capitalization of the Issuer as at the dates indicated before and after completion of the Series 2018-1 Senior Notes Offering.

	As at December 31, 2017 before giving effect to the Series 2018-1 Senior Notes Offering	**As at December 31, 2017 after giving effect to the Series 2018-1 Senior Notes Offering**
Cash and Cash Equivalents……..	Nil	Nil
Debt		
Long-term debt, including current portion…….	Nil	$●
Short-term debt……...	**$[1,179,000,000.00][(1)]**	**$[1,179,000,000.00]**
Bank indebtedness……..	Nil	Nil
Total Debt……	**$[1,179,000,000.00][(1)]**	$●
Equity		
Equity……	$10,000.01	$10,000.01
Total Capitalization……	**$[1,179,010,000.01][(1)]**	$●

(1) Representing Notes outstanding as of the date hereof under the Warehouse Facilities as follows: (i) $601,290,000, or 51% of all short-term

debt, represented by Senior Notes, Series 2017-1; (ii) $459,810,000, or 39% of all short term debt, represented by Subordinated Notes, Series 2017-1 held by OPG; and (iii) $117,900,000 of which, or 10% of all short term debt, represented by Junior Subordinated Notes held by OPG.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Torys LLP and Osler, Hoskin & Harcourt LLP, the following summary describes the principal Canadian federal income tax considerations generally applicable under the Income Tax Act (Canada) (the "**Tax Act**") to a holder who acquires Series 2018-1 Senior Notes as beneficial owner pursuant to the Series 2018-1 Senior Notes Offering and who, for purposes of the Tax Act and at all relevant times, deals at arm's length and is not affiliated with the Issuer, and holds Series 2018-1 Senior Notes as capital property (a "**Holder**"). Generally, the Series 2018-1 Senior Notes will be capital property to a Holder provided that the Holder does not acquire or hold the Series 2018-1 Senior Notes in the course of carrying on a business or as part of an adventure or concern in the nature of trade. Certain holders who might not otherwise be considered to hold their Series 2018-1 Senior Notes as capital property may, in certain circumstances, be entitled to treat their Series 2018-1 Senior Notes and any other "Canadian security" (as defined in the Tax Act) owned by them in the taxation year of the election and all subsequent taxation years as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such holders are advised to consult their own tax advisors to determine whether such an election is available and desirable in their particular circumstances.

This summary is not applicable to a holder: (i) that is a "financial institution" (as defined in the Tax Act for purposes of the "mark to market property" and "specified debt obligation" rules); (ii) an interest in which is a "tax shelter investment" (as defined in the Tax Act); (iii) that reports its "Canadian tax results" (as defined in the Tax Act) in a currency other than Canadian dollars; or (iv) that has entered into or will enter into a "derivative forward agreement" as defined in the Tax Act in respect of the Series 2018-1 Senior Notes. Any such holders should consult their own tax advisors with respect to an investment in the Series 2018-1 Senior Notes. In addition, this summary does not address the deductibility of interest by a holder who has borrowed money to acquire Series 2018-1 Senior Notes.

On July 18, 2017, the Minister of Finance (Canada) released a consultation paper that included an announcement of its intention to amend the Tax Act to increase the amount of tax applicable to passive investment income earned through a private corporation. No specific amendments to the Tax Act were proposed in connection with this announcement and this summary does not consider the implications of this announcement. On October 18, 2017, the Minister of Finance (Canada) announced that the government intends to move forward with the planned amendments subject to further developments to address concerns of business owners the details of which are not yet available. Holders that are private corporations should consult their own tax advisors regarding the implications of these announcements with respect to their particular circumstances.

This summary is based upon the facts set out in the confidential shelf offering memorandum, the current provisions of the Tax Act and the regulations thereunder (the "**Regulations**"), all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**") and counsel's understanding of the current published administrative policies and practices of the Canada Revenue Agency. There can be no assurance that any Tax Proposals will be implemented in their current form or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policies and practices, whether by legislative, administrative or judicial action nor does it take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed herein.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in the Series 2018-1 Senior Notes. Moreover, the income and other tax consequences of acquiring, holding or disposing of the Series 2018-1 Senior Notes will vary depending on the Holder's particular circumstances, including the province or territory, or provinces or territories, in which the Holder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any particular Holder, and no representations with respect to the income tax consequences to any Holder are made. Investors should consult their own tax advisors for advice with respect to the tax consequences of an investment in the Series 2018-1 Senior Notes based on their particular circumstances. This summary does not address any tax considerations applicable to persons other than Holders and such persons should consult their own tax advisors regarding the consequences of acquiring, holding and disposing of Series 2018-1 Senior Notes under the Tax Act and any jurisdiction in which they may be subject to tax.

Foreign Exchange

For purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Series 2018-1 Senior Notes must be expressed in Canadian dollars, including any interest, adjusted cost base and proceeds of disposition. For purposes of the Tax Act, amounts denominated in a currency other than the Canadian dollar generally must be converted into Canadian dollars in accordance with the Tax Act on the date such amounts first arose. A Holder may realize a capital gain or a capital loss on the disposition or deemed disposition of a Series 2018-1 Senior Note by virtue of fluctuations in the value of the U.S. dollar relative to the Canadian dollar. The amount of interest or other amounts required to be included in computing the Holder's income for a taxation year will also be affected by fluctuations in the U.S. dollar relative to the Canadian dollar.

Interest on Series 2018-1 Senior Notes

A Holder that is a corporation, partnership, unit trust or any trust of which a corporation or partnership is a beneficiary will be required to include in computing its income for a taxation year all interest on the Series 2018-1 Senior Notes that accrues or is deemed to accrue to such Holder to the end of the particular taxation year or that becomes receivable or is received by the Holder before the end of that taxation year, including on a redemption or repayment on maturity, except to the extent that such interest was included in computing the Holder's income for a preceding taxation year.

Any other Holder, including an individual, will be required to include in computing its income for a taxation year all interest on the Series 2018-1 Senior Notes that is received or receivable by the Holder in that taxation year (depending upon the method regularly followed by the Holder in computing income), including on a redemption, purchase for cancellation, or repayment on maturity, except to the extent that the interest was included in the Holder's income for a preceding taxation year.

Any premium paid by the Issuer to a Holder on the redemption of a Series 2018-1 Senior Note or a purchase for cancellation of a Series 2018-1 Senior Note (other than in the open market in the manner any such obligation would normally be purchased in the open market by any member of the public), will generally be deemed to be interest received at the time by the Holder to the extent that such premium can reasonably be considered to relate to, and does not exceed the value at the time of the redemption of or purchase for cancellation of, the interest that, would have been paid or payable by the Issuer on the Series 2018-1 Senior Note for a taxation year ending after the redemption or purchase for cancellation, and to the extent such premium was not otherwise included in computing the Holder's income for that taxation year or a previous taxation year.

Where a Holder is required to include in income interest on a Series 2018-1 Senior Note that accrued before such Series 2018-1 Senior Note was acquired by the Holder, the Holder will be entitled to a deduction in computing income of an equivalent amount. The adjusted cost base to the Holder of the Series 2018-1 Senior Note will be reduced by the amount which is so deductible.

If a Series 2018-1 Senior Note is purchased by a Holder at a discount from its face value, the Holder may be required to include an amount equal to such discount in computing income, either in accordance with the deemed interest accrual rules contained in the Tax Act and Regulations or in the taxation year in which an amount in respect of the discount is received or receivable by the Holder. Holders should consult their own tax advisors in these circumstances as the treatment of the discount may vary with the facts and circumstances giving rise to the discount.

Disposition of Series 2018-1 Senior Notes

On a disposition or deemed disposition of a Series 2018-1 Senior Note (including a redemption, purchase for cancellation or repayment at maturity), a Holder will generally be required to include in income any premium deemed to be interest and the amount of interest accrued, or deemed to have accrued, on the Series 2018-1 Senior Note from the date of the last interest payment to the date of disposition to the extent that such amount has not otherwise been included in the Holder's income for the taxation year or a previous taxation year.

A disposition or deemed disposition by a Holder of a Series 2018-1 Senior Note will generally result in the Holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any

accrued interest or any amount deemed to be interest, exceed (or are exceeded by) the aggregate of the Holder's adjusted cost base thereof and any reasonable costs of disposition.

One half of any capital gain (a "**taxable capital gain**") generally must be included in the Holder's income for the taxation year of the disposition, and one half of any capital loss (an "**allowable capital loss**") realized in a taxation year must be deducted from taxable capital gains realized in that year. Allowable capital losses in excess of taxable capital gains realized in a taxation year may be deducted from net taxable capital gains realized in the three preceding taxation years or any subsequent taxation year, subject to detailed rules contained in the Tax Act in this regard. A capital gain realized by an individual (other than certain specified trusts) may give rise to a liability for alternative minimum tax.

Eligibility for Investment

The Series 2018-1 Senior Notes would, if acquired on the date hereof and if they (i) are issued as part of a single issue of debt of at least $25 million and (ii) have an investment grade rating with certain rating agencies prescribed under the Tax Act, be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan ("**RRSP**"), registered retirement income fund ("**RRIF**"), registered education savings plan ("**RESP**"), registered disability savings plan ("**RDSP**"), tax free savings account ("**TFSA**") and deferred profit sharing plan ("**DPSP**") (except for a trust governed by a DPSP to which the Issuer has made a contribution).

Even if the Series 2018-1 Senior Notes may be qualified investments for a trust governed by an RRSP, RRIF, RESP, RDSP or TFSA, if the Series 2018-1 Senior Notes are "prohibited investments" (as defined in section 207.01 of the Tax Act) for an RRSP, RRIF, RESP, RDSP or TFSA, then a holder of the TFSA or RDSP, a subscriber of the RESP or an annuitant of the RRSP or RRIF, as the case may be, will be subject to a penalty tax as set out in the Tax Act. The Series 2018-1 Senior Notes would not be prohibited investments on the date hereof, provided (i) the holder of the TFSA or RDSP, the subscriber of the RESP or the annuitant of the RRSP or RRIF, as the case may be, deals at arm's length with the Issuer within the meaning of the Tax Act, and (ii) does not have a "significant interest" within the meaning of subsection 207.01(4) of the Tax Act in the Issuer. Investors intending to hold the Series 2018-1 Senior Notes in a TFSA, RRSP, RRIF, RESP or RDSP should consult their own advisors as to whether the Series 2018-1 Senior Notes would be a prohibited investment in their particular circumstances.

RELATIONSHIP BETWEEN THE ISSUER AND THE AGENTS

CIBC World Markets Inc., RBC Dominion Securities Inc. and Goldman Sachs Canada Inc. are each, directly or indirectly, a wholly-owned or majority-owned subsidiary or affiliate of a financial institution which is a lender to the Issuer and to which the Issuer is currently indebted under the terms of the Warehouse Facilities. The Issuer may use a portion of the net proceeds of the Series 2018-1 Senior Notes Offering to repay certain indebtedness under the Warehouse Facilities. Consequently, the Issuer may be considered to be a "connected issuer", of certain of the Agents under applicable Canadian securities legislation. As of the date of this Term Sheet, the Issuer is in compliance with the terms of its indebtedness under the Warehouse Facilities. Since the indebtedness under the Warehouse Facilities was incurred, the financial position of the Issuer has not materially changed. As of ●, the Issuer had approximately $● billion outstanding under the Warehouse Facilities. CIBC World Markets Inc., RBC Dominion Securities Inc. and Goldman Sachs Canada Inc. have each advised that the decision to act as Agents for the Series 2018-1 Senior Notes Offering was made independently of the lenders under the Warehouse Facilities and the lenders had no influence as to the determination of the terms of the distribution. None of CIBC World Markets Inc., RBC Dominion Securities Inc. and Goldman Sachs Canada Inc. will receive any benefit in connection with the Series 2018-1 Senior Notes Offering other than its respective portion of the Agents' fee payable by the Issuer

LEGAL MATTERS

Certain Canadian legal matters in connection with the Series 2018-1 Senior Notes Offering will be passed upon by Torys LLP on behalf of the Issuer and by Osler, Hoskin & Harcourt LLP on behalf of the Agents.

From: John Kim
To: Shajee Kathirgamanathan; Gavin He
Subject: FW: Rating Agencies views on Fair Hydro
Date: Thursday, April 19, 2018 2:06:13 PM

From: Gadi Mayman
Sent: Thursday, April 19, 2018 1:54 PM
To: John Kim <John.Kim@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: Rating Agencies views on Fair Hydro

Not that I'm aware of, but OPG is supposed to price the subordinated debt at the same time, so they should have those rates

Gadi

From: John Kim
Sent: Thursday, April 19, 2018 1:37 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: Rating Agencies views on Fair Hydro

For sure. Do we have a sense of the remainder of the debt?

From: Ronald Kwan
Sent: Thursday, April 19, 2018 1:06 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: Re: Rating Agencies views on Fair Hydro

Hi Gadi,

John was prepped to anticipate such a request!

Ron

From: Gadi Mayman
Sent: April 19, 2018 12:31 PM
To: Ronald Kwan
Cc: Usman Zahid; Anna Strathy; Mike Manning; Ken Kandeepan
Subject: FW: Rating Agencies views on Fair Hydro

Hi Ron. The deal ended up coming at 107, which is 32 back of us. We should update our interest calculation based on this.

Thanks,
Gadi

From: Caridia, Alex [mailto:alex.caridia@rbccm.com]
Sent: Thursday, April 19, 2018 9:35 AM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: Rating Agencies views on Fair Hydro

Hi Gadi – jus called you for an update on this. As you will have seen books are open at 110 +/-3bps

See that as Ont +35 and Toronto +13bps

Happy to chat more at your convenience

Alex

From: Caridia, Alex
Sent: April 19, 18 7:59 AM
To: Gadi Mayman
Subject: Re: Rating Agencies views on Fair Hydro

Hi Gadi

In short, that's true. Moody's action on Ontario will have no immediate effect on the ratings of FHT. Moody's rates FHT in line with the Province's rating, and has stated that any move on Ontario will also move their ratings on the FH program. However, under securitization methodology, rating directions are not used, so there is no current change on FHT, but if the Province is downgraded, FHT will also be downgraded.

On: 18 April 2018 21:59,
"Gadi Mayman" <Gadi.Mayman@ofina.on.ca> wrote:
Thanks, Alex. I was told that structured finance ratings don't have negative outlooks; the rating is simply the rating,

so Moody's putting us on negative outlook doesn't immediately affect their rating of the FHT. It's only if we were to get downgraded that they would also downgrade FHT. Seems weird to me, but that's what I was told, and given that you've proceeded with the FHT transaction, I assume it's true?

From: Caridia, Alex <alex.caridia@rbccm.com>
Sent: Wednesday, April 18, 2018 5:30:32 PM
To: Gadi Mayman
Subject: Fwd: Rating Agencies views on Fair Hydro

Hi Gadi - FYI

Begin Forwarded Message:
From: "Laham, Chris" <chris.laham@rbccm.com<mailto:chris.laham@rbccm.com>>
Subject: Rating Agencies views on Fair Hydro
Date: 18 April 2018 15:51
To: "+DS-GM-Bond Sales Desk" <DS-GM-BondSalesDesk@rbc.com<mailto:DS-GM-BondSalesDesk@rbc.com>>

Here are some bullet points outlining how each agency views Fair Hydro Trust in the context of the ratings of the Province.
The key point being, Moody's assumes at some point over the horizon of the program the Province will step in, thus linking the ratings. As a reminder, if this were to happen, the Province will assume the debt.

Here is Ian's outline for those that want a deeper dive:

DBRS

* Look at the transaction through a structured finance lens
* Change of law that could invoke a Protection Event is mitigated by the risk the FHT platform would become a liability of the Province, legislation took a long time to draft and pass, adverse change of law could bring into question other Provincial guarantee arrangements
* Significant enhancement (almost 100%) supports the senior notes, as does true-up mechanism, non-bypassability of recovery charge
* Amount of recovery charge is small as a percentage of the overall electricity user bill

Moody's

* The program as structured and under current law and regulations is considered to be of similar credit quality to US utility cost recovery programs rated by Moody's
* However, the FHT program's 30-year term, combined with the pervasive role of the Province and its related entities in many aspects of this transaction, increase the risk that the Province could make future changes to the law or related regulations that could adversely affect the outstanding obligations under the FHT program
* The Provincial guarantee is a mitigant to this risk, but it is not as robust as the constitutional protection found in similar US programs. Accordingly, Moody's has linked the provisional ratings of the notes to the Aa2 rating of the Province
* Future changes to the Province's rating will result in similar changes to the ratings of the notes.

Ian Benaiah | Director, Securitization Finance | RBC Capital Markets | TEL: 416.842.3820 | FAX: 416.842.3888 | ian.benaiah@rbccm.com<mailto:ian.benaiah@rbccm.com>

This email is intended only for the use of the individual(s) to whom it is addressed and may be privileged and confidential.
Unauthorised use or disclosure is prohibited. If you receive this e-mail in error, please advise immediately and delete the original message.
This message may have been altered without your or our knowledge and the sender does not accept any liability for any errors or omissions in the message.

Ce courriel est confidentiel et protégé. L'expéditeur ne renonce pas aux droits et obligations qui s'y rapportent.
Toute diffusion, utilisation ou copie de ce message ou des renseignements qu'il contient par une personne autre que le (les) destinataire(s) désigné(s) est interdite.
Si vous recevez ce courriel par erreur, veuillez m'en aviser immédiatement, par retour de courriel ou par un autre moyen.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: John Kim
To: Shajee Kathirgamanathan; Gavin He
Subject: FW: **NEW ISSUE** FAIR HYDRO TRUST
Date: Thursday, April 19, 2018 12:01:57 PM

Fyi, and how does this compare with the last issue? I recall 3.5% back then too?

From: Carlos Yep
Sent: Thursday, April 19, 2018 12:01 PM
To: John Kim <John.Kim@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>
Subject: FW: **NEW ISSUE** FAIR HYDRO TRUST

FYI

From: Donnelly, Ryan [mailto:Ryan.Donnelly@cibc.com]
Sent: Thursday, April 19, 2018 11:58 AM
To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Elizabeth Wallace <Elizabeth.Wallace@ofina.on.ca>
Cc: Bartlett, Doug - Debt Capital Markets <Doug.Bartlett@cibc.com>; Janetos, Ben - Debt Capital Markets <Ben.Janetos@cibc.com>
Subject: FW: **NEW ISSUE** FAIR HYDRO TRUST

FYI… The second offering by Fair Hydro Trust has now priced. As the summary below indicates, the offering saw interest from 36 investors which is consistent with the prior offering. This included interest from a few new investors to the program. The total book size was in excess of $1bln.

Ryan

The **Fair Hydro Trust** offering has now priced. The deal was met with strong demand and was upsized to $400 million. The $400 million of senior notes priced at +107 bps vs. the GoC curve, the tight end of spread guidance, for a coupon of 3.52%. The offering was distributed to 36 buyers with average fills in the 5-10% range.

****NEW ISSUE** FAIR HYDRO TRUST**

Issuer:	Fair Hydro Trust, a special purpose trust established under the laws of the Province of Ontario.
Issue:	3.52% Senior Notes due May 15, 2038, Series 2018-2 (the "Series 2018-2 Senior Notes").
Expected Credit Ratings:	DBRS: AAA(sf) Moody's: Aa2(sf)
Principal Amount:	$400,000,000
Initial % of Aggregate Notes:	51%
Launch Date:	April 19, 2018
Pricing Date:	April 19, 2018
Settlement Date:	April 24, 2018 (T+3)
Term:	20 years
Expected Maturity Date:	May 15, 2038
Principal Payment Default Date:	May 15, 2040
Par Call Date:	November 15, 2037
Interest Rate:	3.52% per annum
Issue Spread:	+107 bps versus Government of Canada curve interpolated between CAN 5% due June 1, 2037 and CAN 4% due June 1, 2041

	+107.6 bps (including a 0.6 bps curve adjustment and +0.0 bps delay adjustment), versus the CAN 5% due June 1, 2037 (priced at $138.83 to yield 2.444%)
Issue Yield:	3.52%
Issue Price:	$100.002
Interest Payment Dates:	May 15 and November 15 or next business day
Use of Proceeds:	The proceeds from the Series 2018-2 Senior Notes Offering will be used to refinance $400,000,000 of indebtedness of the Issuer previously incurred to purchase an Investment Interest from the IESO pursuant to the Master Transfer and Servicing Agreement.
Ranking:	Subject to the applicable payment waterfalls in the Master Trust Indenture, the Series 2018-2 Senior Notes will be direct, secured and unsubordinated obligations of the Issuer, and will at all times rank equally and proportionately with each other and all other Senior Funding Obligations issued by the Issuer from time to time pursuant to the Indenture, without discrimination or preference.

This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and may contain information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply email and permanently delete this message including any attachments, without reading it or making a copy.

You are receiving this email because our records show that you have a relationship with one or more of the CIBC Capital Markets lines of business of Canadian Imperial Bank of Commerce (CIBC) or CIBC World Markets Inc., which includes Investment and Corporate Banking and Global Markets. If you believe you are receiving this message in error or you no longer wish to receive electronic messages from us, you may unsubscribe[cibc.com] at any time. If you experience challenges with the unsubscribe link, reply to this email with the Subject Line "Unsubscribe" and Cc: Mailbox.CASLUnsubscribe@cibc.com. Please note that by selecting unsubscribe, we will only be able to send you emails that are required or permitted by law. Our mailing address is : CIBC CASL Unsubscribe, 161 Bay St, 9th Floor, Toronto, Ontario, M5J 2W5

From: John Kim
To: Esther Jeon
Cc: Bruno Amara; Shajee Kathirgamanathan; Gavin He
Subject: FW: **NEW ISSUE** FAIR HYDRO TRUST
Date: Monday, April 23, 2018 1:38:24 PM

Fyi and one thing, I might suggest deleting these sections for now.

From: Carlos Yep
Sent: Thursday, April 19, 2018 12:01 PM
To: John Kim <John.Kim@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>
Subject: FW: **NEW ISSUE** FAIR HYDRO TRUST

FYI

From: Donnelly, Ryan [mailto:Ryan.Donnelly@cibc.com]
Sent: Thursday, April 19, 2018 11:58 AM
To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Elizabeth Wallace <Elizabeth.Wallace@ofina.on.ca>
Cc: Bartlett, Doug - Debt Capital Markets <Doug.Bartlett@cibc.com>; Janetos, Ben - Debt Capital Markets <Ben.Janetos@cibc.com>
Subject: FW: **NEW ISSUE** FAIR HYDRO TRUST

FYI… The second offering by Fair Hydro Trust has now priced. As the summary below indicates, the offering saw interest from 36 investors which is consistent with the prior offering. This included interest from a few new investors to the program. The total book size was in excess of $1bln.

Ryan

The **Fair Hydro Trust** offering has now priced. The deal was met with strong demand and was upsized to $400 million. The $400 million of senior notes priced at +107 bps vs. the GoC curve, the tight end of spread guidance, for a coupon of 3.52%. The offering was distributed to 36 buyers with average fills in the 5-10% range.

****NEW ISSUE** FAIR HYDRO TRUST**

Issuer:	Fair Hydro Trust, a special purpose trust established under the laws of the Province of Ontario.
Issue:	3.52% Senior Notes due May 15, 2038, Series 2018-2 (the "Series 2018-2 Senior Notes").
Expected Credit Ratings:	DBRS: AAA(sf) Moody's: Aa2(sf)
Principal Amount:	$400,000,000
Initial % of Aggregate Notes:	51%
Launch Date:	April 19, 2018
Pricing Date:	April 19, 2018
Settlement Date:	April 24, 2018 (T+3)
Term:	20 years
Expected Maturity Date:	May 15, 2038
Principal Payment Default Date:	May 15, 2040
Par Call Date:	November 15, 2037
Interest Rate:	3.52% per annum
Issue Spread:	+107 bps versus Government of Canada curve interpolated between CAN 5% due June

	1, 2037 and CAN 4% due June 1, 2041 +107.6 bps (including a 0.6 bps curve adjustment and +0.0 bps delay adjustment), versus the CAN 5% due June 1, 2037 (priced at $138.83 to yield 2.444%)
Issue Yield:	3.52%
Issue Price:	$100.002
Interest Payment Dates:	May 15 and November 15 or next business day
Use of Proceeds:	The proceeds from the Series 2018-2 Senior Notes Offering will be used to refinance $400,000,000 of indebtedness of the Issuer previously incurred to purchase an Investment Interest from the IESO pursuant to the Master Transfer and Servicing Agreement.
Ranking:	Subject to the applicable payment waterfalls in the Master Trust Indenture, the Series 2018-2 Senior Notes will be direct, secured and unsubordinated obligations of the Issuer, and will at all times rank equally and proportionately with each other and all other Senior Funding Obligations issued by the Issuer from time to time pursuant to the Indenture, without discrimination or preference.

This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and may contain information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply email and permanently delete this message including any attachments, without reading it or making a copy.

You are receiving this email because our records show that you have a relationship with one or more of the CIBC Capital Markets lines of business of Canadian Imperial Bank of Commerce (CIBC) or CIBC World Markets Inc., which includes Investment and Corporate Banking and Global Markets. If you believe you are receiving this message in error or you no longer wish to receive electronic messages from us, you may unsubscribe[cibc.com] at any time. If you experience challenges with the unsubscribe link, reply to this email with the Subject Line "Unsubscribe" and Cc: Mailbox.CASLUnsubscribe@cibc.com. Please note that by selecting unsubscribe, we will only be able to send you emails that are required or permitted by law. Our mailing address is : CIBC CASL Unsubscribe, 161 Bay St, 9th Floor, Toronto, Ontario, M5J 2W5

From: John Kim
To: Shajee Kathirgamanathan
Subject: FW: provincial borrowing rate
Date: Thursday, May 31, 2018 1:38:39 PM

Wait towards the end of the day and if no additional comment, pls. send to Tim Christie.

-----Original Message-----
From: John Kim
Sent: Thursday, May 31, 2018 1:38 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: provincial borrowing rate

Thanks Ron. Sure, works for me.

John

-----Original Message-----
From: Ronald Kwan
Sent: Thursday, May 31, 2018 1:34 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: provincial borrowing rate

Thanks John. Looks fine, but would a little reformatting help?

Ron

-----Original Message-----
From: John Kim
Sent: May-31-18 12:16
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: FW: provincial borrowing rate

Hi Ron,

Pls. see attached proposed file to be sent over and the original communication below.

We base our numbers off of CFB's daily update files and have full backup saved with links within the file.

Thanks,

John

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Wednesday, May 30, 2018 1:16 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: provincial borrowing rate

ADM/DM here at the ministry. We want to use provincial borrowing information to provide context for the OFHP issuances.

On Wed, May 30, 2018 at 1:13 PM -0400, "Kim, John (OFA)" <John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:

Just a quick question....who would be the intended audience?

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:39 PM
To: John Kim
Subject: RE: provincial borrowing rate

No rush on this. Thanks for the help John.

-----Original Message-----
From: Kim, John (OFA) [mailto:John.Kim@ofina.on.ca]
Sent: May-29-18 4:37 PM
To: Christie, Tim (ENERGY)
Subject: RE: provincial borrowing rate

When do you need it by? Will aim for tomorrow or Thursday. I have it ready except the analyst in charge is away so will need some digging.

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:22 PM
To: John Kim
Subject: Re: provincial borrowing rate

I'd like issues for 2018 to date, as well as anything going forward (we're planning to make it a monthly report).

On Tue, May 29, 2018 at 4:17 PM -0400, "Kim, John (OFA)" > wrote:

I think the OFA would be a pretty reliable source....but what do you need exactly? Just a point in time, as in - now or when the issues were done recently? Let me know and I should be able to help.

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:11 PM
To: John Kim
Subject: provincial borrowing rate

Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?

Tim

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	John Kim
To:	Ronald Kwan
Cc:	Usman Zahid; Shajee Kathirgamanathan
Subject:	FW: provincial borrowing rate
Date:	Thursday, May 31, 2018 12:16:10 PM
Attachments:	Debt Funding - Tracking Sheet_v3 (Propose to Share with Energy).xlsx

---

Hi Ron,

Pls. see attached proposed file to be sent over and the original communication below.

We base our numbers off of CFB's daily update files and have full backup saved with links within the file.

Thanks,

John

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Wednesday, May 30, 2018 1:16 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: provincial borrowing rate

ADM/DM here at the ministry. We want to use provincial borrowing information to provide context for the OFHP issuances.

On Wed, May 30, 2018 at 1:13 PM -0400, "Kim, John (OFA)" <John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:

Just a quick question....who would be the intended audience?

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:39 PM
To: John Kim
Subject: RE: provincial borrowing rate

No rush on this. Thanks for the help John.

-----Original Message-----
From: Kim, John (OFA) [mailto:John.Kim@ofina.on.ca]
Sent: May-29-18 4:37 PM
To: Christie, Tim (ENERGY)
Subject: RE: provincial borrowing rate

When do you need it by? Will aim for tomorrow or Thursday. I have it ready except the analyst in charge is away so will need some digging.

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:22 PM

To: John Kim
Subject: Re: provincial borrowing rate

I'd like issues for 2018 to date, as well as anything going forward (we're planning to make it a monthly report).

On Tue, May 29, 2018 at 4:17 PM -0400, "Kim, John (OFA)" > wrote:

I think the OFA would be a pretty reliable source....but what do you need exactly? Just a point in time, as in - now or when the issues were done recently? Let me know and I should be able to help.

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:11 PM
To: John Kim
Subject: provincial borrowing rate

Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?

Tim

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

Summary:

Total Funding	Term Debt Takeout
Senior debt	900,000,000.00
Subordinated	688,235,000.00
Junior subordinated	176,471,000.00
Total	**1,764,706,000.00**

Issuing Month	Weighted Average	Ont Yield - 30yr	Ont Yield - 30yr w/ Commission	Debt Issue Maturity	Ont Rate	Ont Rate - w/ Commission	Notes	Souce
February 9, 2018	3.526%	3.23%	3.25%	15 year	3.10%	3.14%	(Feb 9 Rate)	Link
April 24, 2018	3.712%	3.23%	3.26%	20 year	3.22%	3.25%	(Apr 24 rate)	Link
Total	**3.609%**							

Date Issued	Debt Type	Amount	Interest Rate	Maturity Date	Series Number	Comments	Source
February 9, 2018	Senior debt	500,000,000.00	3.357%	May 15, 2033	2018-1		Link
February 9, 2018	Subordinated	382,353,000.00	3.637%	May 15, 2033	2018-1		Link
February 9, 2018	Junior subordinated	98,040,000.00	3.957%	May 15, 2033	2018-1		Link
April 24, 2018	Senior debt	400,000,000.00	3.520%	May 15, 2038	2018-2		LInk
April 24, 2018	Subordinated	305,882,000.00	3.834%	May 15, 2038	2018-2		LInk
April 24, 2018	Junior subordinated	78,431,000.00	4.214%	May 15, 2038	2018-2		LInk

From: John Kim
To: Ronald Kwan
Subject: FW: provincial borrowing rate
Date: Tuesday, May 29, 2018 4:41:17 PM

Fyi

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:22 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: provincial borrowing rate

I'd like issues for 2018 to date, as well as anything going forward (we're planning to make it a monthly report).

On Tue, May 29, 2018 at 4:17 PM -0400, "Kim, John (OFA)"
<John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:

I think the OFA would be a pretty reliable source….but what do you need exactly? Just a point in time, as in – now or when the issues were done recently? Let me know and I should be able to help.

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:11 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: provincial borrowing rate

Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?

Tim

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Ronald Kwan
To: John Kim
Subject: FW: provincial borrowing rate
Date: Thursday, May 31, 2018 2:16:21 PM

Hi John,

What do you think? Can we add that in?

Ron

-----Original Message-----
From: Gadi Mayman
Sent: May-31-18 14:10
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: provincial borrowing rate

Thanks, Ron. I notice that the Ontario rates have a column that include commissions. Should we have a similar one for the FHP rates (at least the senior debt; I'm assuming that they don't pay commission on the sub)?

-----Original Message-----
From: Ronald Kwan
Sent: Thursday, May 31, 2018 1:56 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: FW: provincial borrowing rate

Hi Gadi,

FYI. Energy has asked for some Provincial borrowing rate data as context for planned periodic reports on FHP borrowing. Staff put together the attached.

Ron

-----Original Message-----
From: Ronald Kwan
Sent: May-31-18 13:34
To: John Kim <John.Kim@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: provincial borrowing rate

Thanks John. Looks fine, but would a little reformatting help?

Ron

-----Original Message-----
From: John Kim
Sent: May-31-18 12:16
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: FW: provincial borrowing rate

Hi Ron,

Pls. see attached proposed file to be sent over and the original communication below.

We base our numbers off of CFB's daily update files and have full backup saved with links within the file.

Thanks,

John

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Wednesday, May 30, 2018 1:16 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: provincial borrowing rate

ADM/DM here at the ministry. We want to use provincial borrowing information to provide context for the OFHP issuances.

On Wed, May 30, 2018 at 1:13 PM -0400, "Kim, John (OFA)" <John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:

Just a quick question....who would be the intended audience?

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:39 PM
To: John Kim
Subject: RE: provincial borrowing rate

No rush on this. Thanks for the help John.

-----Original Message-----
From: Kim, John (OFA) [mailto:John.Kim@ofina.on.ca]
Sent: May-29-18 4:37 PM
To: Christie, Tim (ENERGY)
Subject: RE: provincial borrowing rate

When do you need it by? Will aim for tomorrow or Thursday. I have it ready except the analyst in charge is away so will need some digging.

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:22 PM
To: John Kim
Subject: Re: provincial borrowing rate

I'd like issues for 2018 to date, as well as anything going forward (we're planning to make it a monthly report).

On Tue, May 29, 2018 at 4:17 PM -0400, "Kim, John (OFA)" > wrote:

I think the OFA would be a pretty reliable source....but what do you need exactly? Just a point in time, as in - now or when the issues were done recently? Let me know and I should be able to help.

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:11 PM
To: John Kim
Subject: provincial borrowing rate

Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?

Tim

_____

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: John Kim
To: Shajee Kathirgamanathan; Gavin He
Subject: Fwd: FHP Trust Offering
Date: Friday, February 09, 2018 9:18:50 PM

FYI

Sent from my iPhone

Begin forwarded message:

> **From:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Date:** February 9, 2018 at 9:06:17 PM EST
> **To:** John Kim <John.Kim@ofina.on.ca>, Bruno Amara <Bruno.Amara@ofina.on.ca>
> **Cc:** Usman Zahid <Usman.Zahid@ofina.on.ca>
> **Subject: Fwd: FHP Trust Offering**
>
> Hi,
>
> Note the weighted average.
>
> Ron
>
> Begin forwarded message:
>
> > **From:** Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> > **Date:** February 9, 2018 at 8:11:40 PM EST
> > **To:** Mike Manning <Mike.Manning@ofina.on.ca>, Ronald Kwan <Ronald.Kwan@ofina.on.ca>, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
> > **Cc:** Anna Strathy <Anna.Strathy@ofina.on.ca>, Usman Zahid <Usman.Zahid@ofina.on.ca>
> > **Subject: Fwd: FHP Trust Offering**
> >
> > Begin forwarded message:
> >
> > > **From:** "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>
> > > **Date:** February 9, 2018 at 7:14:05 PM EST
> > > **To:** "Orsini, Steve (CAB)" <Steve.Orsini@ontario.ca>
> > > **Cc:** "Davidson, Steven (CAB)"

<Steven.Davidson@ontario.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, "Kwamena, Boafoa (CAB)" <Boafoa.Kwamena@ontario.ca>, "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
Subject: Re: FHP Trust Offering

Steve,

Today OPG advised that the remainder of the debt is split between $382 million of “subordinated” debt at an interest rate of 3.637% and $98 million of “junior subordinated” debt at 3.957%.

The effective interest rate of 3.526% is the weighted average of these three series of debt (i.e., senior, subordinated and junior subordinated).

Sent from my iPad

On Feb 7, 2018, at 6:22 PM, Orsini, Steve (CAB) <Steve.Orsini@ontario.ca<mailto:Steve.Orsini@ontario.ca>> wrote:

Serge,

Thanks. Please let us know the outcome of your analysis.

From: Imbrogno, Serge (ENERGY)
Sent: February 7, 2018 6:21 PM
To: Orsini, Steve (CAB)
Cc: Davidson, Steven (CAB); Kwamena, Boafoa (CAB)
Subject: Re: FHP Trust Offering

Steve,

A number of inputs will vary over the thirty-year life of the GA refinancing program and will continue to be revised to reflect changing conditions (e.g., changes in interest rates).

The Ministry analysis underpinning the 2017 Fair Allocation Amount (FAA) included a 5.0% average interest rate over the life of the GA refinancing program (i.e., 30 years). Note: Navigant’s modelling of GA

refinancing assumed an interest rate of 4.5%. In the development of the 2017 FAA the interest rate assumptions were revised to 5% based on consultations with OPG.

The announcement yesterday that OPG was able to secure an interest rate of 3.357% for the senior debt on its first issuance has a 15 year term and a value of $500 million.

OPG advises that the remainder of the debt is split between "subordinated" and "junior subordinated" debt. The effective interest rate will be the weighted average of these three series of debt (i.e., senior, subordinated and junior subordinated). OPG is expected to finalize the pricing for the subordinated and junior subordinated debt within the next 48 hours. The pricing will be based in part on the pricing of the senior series.

Sent from my iPad

On Feb 6, 2018, at 10:29 PM, Orsini, Steve (CAB) <Steve.Orsini@ontario.ca<mailto:Steve.Orsini@ontario.ca>> wrote:
Thanks Serge.

How does this compare to the costs assumed in the modelling?

From: Imbrogno, Serge (ENERGY)
Sent: February 6, 2018 2:36 PM
To: Orsini, Steve (CAB); Davidson, Steven (CAB)
Cc: Kwamena, Boafoa (CAB)
Subject: FHP Trust Offering

Hi Steve,

Not sure if you received an update already, but below is the result of the OPG Trust financing this afternoon for the OFHP:

- OPG has informed us that pricing has been confirmed at 3.357% and they financed $500m.

- This is 92 bps over GOC, so it is still the lowest cost.

- The OFA has confirmed that the issue was 23 bps over the Ontario curve.

OPG is providing a technical briefing for the media at 3:00.

From:	John Kim
To:	Shajee Kathirgamanathan
Subject:	Fwd: OPG senior debt
Date:	Thursday, May 31, 2018 4:52:15 PM

Should be no commission for sub debts.

Sent from my iPhone

Begin forwarded message:

> **From:** John Kim <John.Kim@ofina.on.ca>
> **Date:** May 31, 2018 at 4:50:50 PM EDT
> **To:** Carlos Yep <Carlos.Yep@ofina.on.ca>
> **Cc:** Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
> **Subject: Re: OPG senior debt**
>
> Ok thanks. Will use 4bps
>
> On the spread so you use comparable Canada with matching year, 2038 and 2033. I thought you used 30 yr bonds for spread.
>
> Sent from my iPhone
>
> > On May 31, 2018, at 4:46 PM, Carlos Yep <Carlos.Yep@ofina.on.ca> wrote:
> >
> > John
> >
> > I do not have the actual commissions for the 2033 bond but would guess about 4bps on either
> >
> > on the 2038 bond 55cents / 14.1y mod duration = 3.9bps
> >
> > BTW - I am also assuming that the bonds were priced at PAR ($100.000) therefor the yield equals the coupon
> >
> > C

-----Original Message-----

From: John Kim

Sent: Thursday, May 31, 2018 4:38 PM

To: Carlos Yep <Carlos.Yep@ofina.on.ca>

Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>

Subject: Re: OPG senior debt

So the 3.520% and 3.357%...what would they be with commission?

Sent from my iPhone

> On May 31, 2018, at 4:36 PM, Carlos Yep <Carlos.Yep@ofina.on.ca> wrote:
>
> John,
>
> No, the commission was not included. Commission on the 2038 bonds was $0.55
>
> 15May2033 $500M 3.357% priced on 06Feb2018 at GoC2033 + 91.9
>
> 15may2038 $400M 3.520% priced on 19Apr2018 at GoC2037 + 107.6
>
> Regards
>
> Carlos
>
> -----Original Message-----
>
> From: John Kim

Sent: Thursday, May 31, 2018 4:24 PM

To: Carlos Yep <Carlos.Yep@ofina.on.ca>

Subject: OPG senior debt

Hi Carlos,

On April 24 and in February when the senior debt was issued, we got the rates at which the notes were issued. Would you know if the rate would be inclusive of commission or if not what the commission would be?

I am offsite so cannot chat.

John

Sent from my iPhone

<sg2018053159339.gif>

<sg2018053159311.gif>

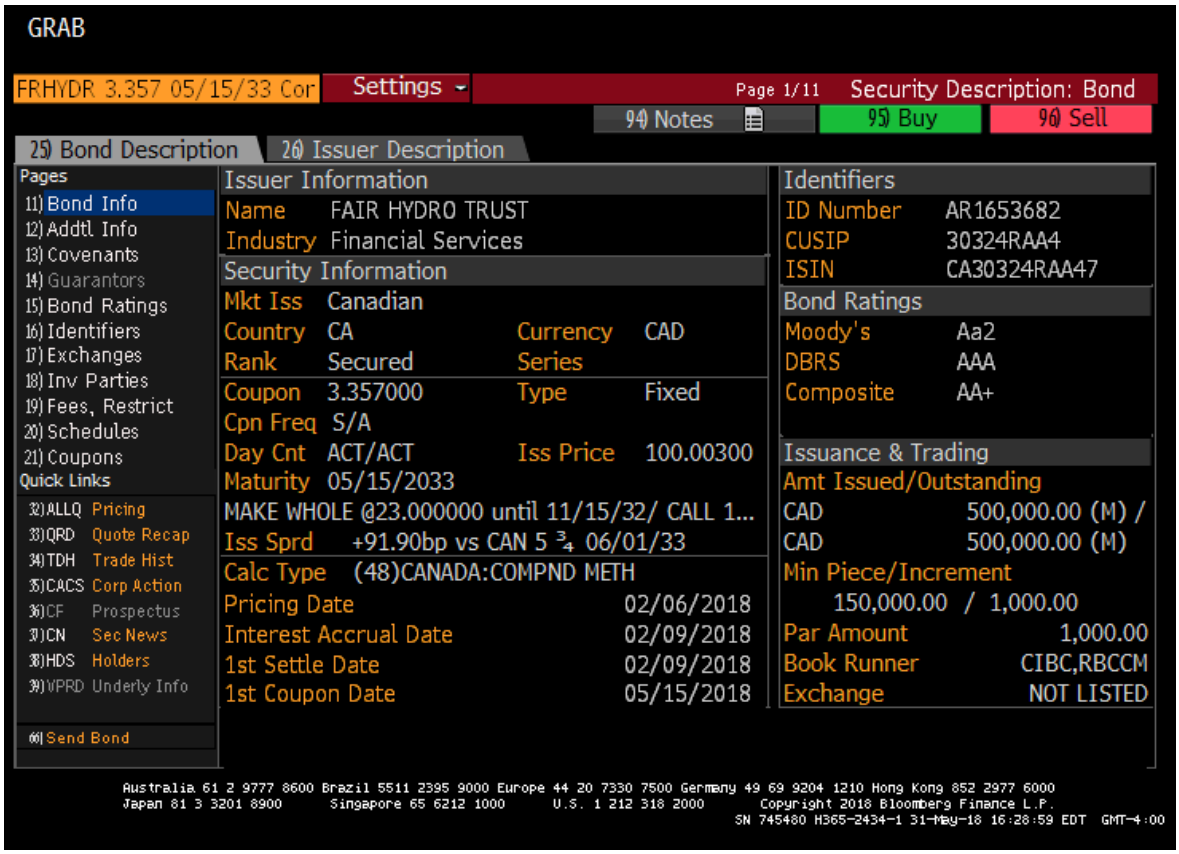
From: John Kim
To: Shajee Kathirgamanathan
Subject: Fwd: OPG senior debt
Date: Thursday, May 31, 2018 4:37:01 PM

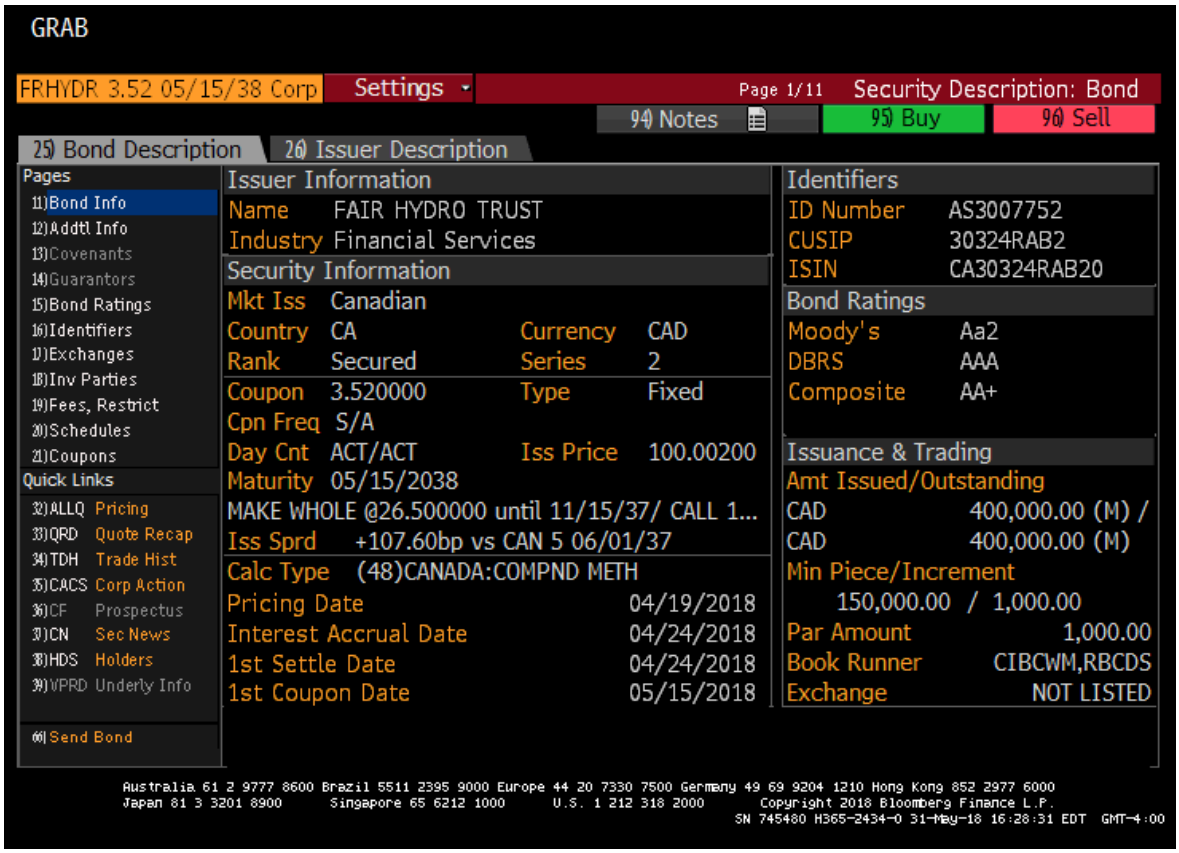
FYI and does this make sense?

Sent from my iPhone

Begin forwarded message:

> **From:** Carlos Yep <Carlos.Yep@ofina.on.ca>
> **Date:** May 31, 2018 at 4:36:02 PM EDT
> **To:** John Kim <John.Kim@ofina.on.ca>
> **Subject: RE: OPG senior debt**
>
> John,
> No, the commission was not included. Commission on the 2038 bonds was $0.55
>
> 15May2033 $500M 3.357% priced on 06Feb2018 at GoC2033 + 91.9
> 15may2038 $400M 3.520% priced on 19Apr2018 at GoC2037 + 107.6
>
> Regards
> Carlos
>
> -----Original Message-----
> From: John Kim
> Sent: Thursday, May 31, 2018 4:24 PM
> To: Carlos Yep <Carlos.Yep@ofina.on.ca>
> Subject: OPG senior debt
>
> Hi Carlos,
>
> On April 24 and in February when the senior debt was issued, we got the rates at which the notes were issued. Would you know if the rate would be inclusive of commission or if not what the commission would be?
>
> I am offsite so cannot chat.
>
> John
>
> Sent from my iPhone


GRAB
FRHYDR 3.357 05/15/33 Cor
Settings
Page 1/11
Security Description: Bond
94) Notes
95) Buy
96) Sell
25) Bond Description
26) Issuer Description
Pages
11) Bond Info
12) Addtl Info
13) Covenants
14) Guarantors
15) Bond Ratings
16) Identifiers
17) Exchanges
18) Inv Parties
19) Fees, Restrict
20) Schedules
21) Coupons
Quick Links
32) ALLQ Pricing
33) QRD Quote Recap
34) TDH Trade Hist
35) CACS Corp Action
36) CF Prospectus
37) CN Sec News
38) HDS Holders
39) VPRD Underly Info
66) Send Bond
Issuer Information
Name FAIR HYDRO TRUST
Industry Financial Services
Security Information
Mkt Iss Canadian
Country CA
Currency CAD
Rank Secured
Series
Coupon 3.357000
Type Fixed
Cpn Freq S/A
Day Cnt ACT/ACT
Iss Price 100.00300
Maturity 05/15/2033
MAKE WHOLE @23.000000 until 11/15/32/ CALL 1...
Iss Sprd +91.90bp vs CAN 5 3/4 06/01/33
Calc Type (48)CANADA:COMPND METH
Pricing Date 02/06/2018
Interest Accrual Date 02/09/2018
1st Settle Date 02/09/2018
1st Coupon Date 05/15/2018
Identifiers
ID Number AR1653682
CUSIP 30324RAA4
ISIN CA30324RAA47
Bond Ratings
Moody's Aa2
DBRS AAA
Composite AA+
Issuance & Trading
Amt Issued/Outstanding
CAD 500,000.00 (M) /
CAD 500,000.00 (M)
Min Piece/Increment
150,000.00 / 1,000.00
Par Amount 1,000.00
Book Runner CIBC,RBCCM
Exchange NOT LISTED
Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2018 Bloomberg Finance L.P.
SN 745480 H365-2434-1 31-May-18 16:28:59 EDT GMT-4:00


GRAB
FRHYDR 3.52 05/15/38 Corp
Settings
Page 1/11
Security Description: Bond
94) Notes
95) Buy
96) Sell
25) Bond Description
26) Issuer Description
Pages
11) Bond Info
12) Addtl Info
13) Covenants
14) Guarantors
15) Bond Ratings
16) Identifiers
17) Exchanges
18) Inv Parties
19) Fees, Restrict
20) Schedules
21) Coupons
Quick Links
32) ALLQ Pricing
33) QRD Quote Recap
34) TDH Trade Hist
35) CACS Corp Action
36) CF Prospectus
37) CN Sec News
38) HDS Holders
39) VPRD Underly Info
66) Send Bond
Issuer Information
Name FAIR HYDRO TRUST
Industry Financial Services
Security Information
Mkt Iss Canadian
Country CA
Currency CAD
Rank Secured
Series 2
Coupon 3.520000
Type Fixed
Cpn Freq S/A
Day Cnt ACT/ACT
Iss Price 100.00200
Maturity 05/15/2038
MAKE WHOLE @26.500000 until 11/15/37/ CALL 1...
Iss Sprd +107.60bp vs CAN 5 06/01/37
Calc Type (48)CANADA:COMPND METH
Pricing Date 04/19/2018
Interest Accrual Date 04/24/2018
1st Settle Date 04/24/2018
1st Coupon Date 05/15/2018
Identifiers
ID Number AS3007752
CUSIP 30324RAB2
ISIN CA30324RAB20
Bond Ratings
Moody's Aa2
DBRS AAA
Composite AA+
Issuance & Trading
Amt Issued/Outstanding
CAD 400,000.00 (M) /
CAD 400,000.00 (M)
Min Piece/Increment
150,000.00 / 1,000.00
Par Amount 1,000.00
Book Runner CIBCWM,RBCDS
Exchange NOT LISTED
Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2018 Bloomberg Finance L.P.
SN 745480 H365-2434-0 31-May-18 16:28:31 EDT GMT-4:00

From:	John Kim
To:	Shajee Kathirgamanathan
Subject:	Fwd: OPG senior debt
Date:	Thursday, May 31, 2018 4:24:47 PM

FYI

Sent from my iPhone

Begin forwarded message:

> **From:** <John.Kim@ofina.on.ca>
> **Date:** May 31, 2018 at 4:23:47 PM EDT
> **To:** Carlos Yep <Carlos.Yep@ofina.on.ca>
> **Subject: OPG senior debt**
>
> Hi Carlos,
>
> On April 24 and in February when the senior debt was issued, we got the rates at which the notes were issued. Would you know if the rate would be inclusive of commission or if not what the commission would be?
>
> I am offsite so cannot chat.
>
> John
>
> Sent from my iPhone

From:	John Kim
To:	Ronald Kwan
Cc:	Shajee Kathirgamanathan
Subject:	Fwd: OPG senior debt
Date:	Thursday, May 31, 2018 5:10:24 PM

FYI and we will go with 4 bps and get that done tomorrow.

Sent from my iPhone

Begin forwarded message:

> **From:** Carlos Yep <Carlos.Yep@ofina.on.ca>
> **Date:** May 31, 2018 at 4:46:16 PM EDT
> **To:** John Kim <John.Kim@ofina.on.ca>
> **Cc:** Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
> **Subject: RE: OPG senior debt**
>
> John
> I do not have the actual commissions for the 2033 bond but would guess about 4bps on either
>
> on the 2038 bond 55cents / 14.1y mod duration = 3.9bps
>
> BTW - I am also assuming that the bonds were priced at PAR ($100.000) therefor the yield equals the coupon
>
> C
>
> -----Original Message-----
> From: John Kim
> Sent: Thursday, May 31, 2018 4:38 PM
> To: Carlos Yep <Carlos.Yep@ofina.on.ca>
> Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
> Subject: Re: OPG senior debt
>
> So the 3.520% and 3.357%...what would they be with commission?
>
> Sent from my iPhone
>
> > On May 31, 2018, at 4:36 PM, Carlos Yep <Carlos.Yep@ofina.on.ca> wrote:
> >
> > John,
> >
> > No, the commission was not included. Commission on the 2038

bonds was $0.55

15May2033 $500M 3.357% priced on 06Feb2018 at GoC2033 + 91.9

15may2038 $400M 3.520% priced on 19Apr2018 at GoC2037 + 107.6

Regards

Carlos

-----Original Message-----

From: John Kim

Sent: Thursday, May 31, 2018 4:24 PM

To: Carlos Yep <Carlos.Yep@ofina.on.ca>

Subject: OPG senior debt

Hi Carlos,

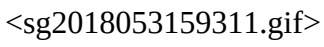
On April 24 and in February when the senior debt was issued, we got the rates at which the notes were issued. Would you know if the rate would be inclusive of commission or if not what the commission would be?

I am offsite so cannot chat.

John

Sent from my iPhone

<sg2018053159339.gif>



From: John Kim
To: Shajee Kathirgamanathan
Subject: Fwd: provincial borrowing rate
Date: Thursday, May 31, 2018 4:13:03 PM

Let's think about this before sending to Tim so hold for a bit

Sent from my iPhone

Begin forwarded message:

> **From:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Date:** May 31, 2018 at 2:16:20 PM EDT
> **To:** John Kim <John.Kim@ofina.on.ca>
> **Subject: FW: provincial borrowing rate**
>
> Hi John,
>
> What do you think? Can we add that in?
>
> Ron
>
> -----Original Message-----
> From: Gadi Mayman
> Sent: May-31-18 14:10
> To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
> Subject: RE: provincial borrowing rate
>
> Thanks, Ron. I notice that the Ontario rates have a column that include commissions. Should we have a similar one for the FHP rates (at least the senior debt; I'm assuming that they don't pay commission on the sub)?
>
> -----Original Message-----
> From: Ronald Kwan
> Sent: Thursday, May 31, 2018 1:56 PM
> To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
> Subject: FW: provincial borrowing rate
>
> Hi Gadi,
>
> FYI. Energy has asked for some Provincial borrowing rate data as context for planned periodic reports on FHP borrowing. Staff put together the attached.
>
> Ron
>
> -----Original Message-----
> From: Ronald Kwan

Sent: May-31-18 13:34
To: John Kim <John.Kim@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: provincial borrowing rate

Thanks John. Looks fine, but would a little reformatting help?

Ron

-----Original Message-----
From: John Kim
Sent: May-31-18 12:16
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: FW: provincial borrowing rate

Hi Ron,

Pls. see attached proposed file to be sent over and the original communication below.

We base our numbers off of CFB's daily update files and have full backup saved with links within the file.

Thanks,

John

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Wednesday, May 30, 2018 1:16 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: provincial borrowing rate

ADM/DM here at the ministry. We want to use provincial borrowing information to provide context for the OFHP issuances.

On Wed, May 30, 2018 at 1:13 PM -0400, "Kim, John (OFA)" <John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:

Just a quick question....who would be the intended audience?

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]

Sent: Tuesday, May 29, 2018 4:39 PM
To: John Kim
Subject: RE: provincial borrowing rate

No rush on this. Thanks for the help John.

-----Original Message-----
From: Kim, John (OFA) [mailto:John.Kim@ofina.on.ca]
Sent: May-29-18 4:37 PM
To: Christie, Tim (ENERGY)
Subject: RE: provincial borrowing rate

When do you need it by? Will aim for tomorrow or Thursday. I have it ready except the analyst in charge is away so will need some digging.

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:22 PM
To: John Kim
Subject: Re: provincial borrowing rate

I'd like issues for 2018 to date, as well as anything going forward (we're planning to make it a monthly report).

On Tue, May 29, 2018 at 4:17 PM -0400, "Kim, John (OFA)" > wrote:

I think the OFA would be a pretty reliable source....but what do you need exactly? Just a point in time, as in - now or when the issues were done recently? Let me know and I should be able to help.

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:11 PM
To: John Kim
Subject: provincial borrowing rate

Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?

Tim

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is

privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: John Kim
To: Joan Dougherty
Cc: Linda Smith; Usman Zahid
Subject: Liquidity note
Date: Monday, April 23, 2018 3:57:29 PM
Attachments: OPG Funding and Liquidity update April 2018-v10 Final.docx

---

Hi Joan,

Here's the note.

John

Y. John Kim
Director, Electricity Finance Branch
Ontario Financing Authority
e-mail: john.kim@ofina.on.ca
Ph: 416-212-6996

OPG Funding and Liquidity Status Update
OEFC Board Meeting – April 27, 2018

Purpose

The purpose of this report is to outline the status of OPG's funding and liquidity position on an on-going basis, as directed at the December 2004 OEFC Board meeting.

Current Status

- As of February 2018, according to OPG's business plan, OPG projected $273 million in cash at the end of 2018.
    - As of December 31, 2017, OPG had a cash position of $234 million.
    - In 2018, OPG expects to make dividend payments of over $475 million to the Shareholder with respect to the sale of OPG's head office and their Lakeview site.
        - In March 2018, OPG paid $283M in net proceeds from the head office properties sale to the Province as prescribed in regulation under the *Trillium Trust Act, 2014.*
    - OPG had a $186 million cash position at the end of 2016.
- In June 2016, OEFC entered into a credit facility agreement with OPG for the latter to borrow up to $700 million for the purpose of financing general corporate purposes effective January 1, 2017 to the end of 2017, including for the Darlington refurbishment project. The Minister's directive from June 2016 allowed OEFC to extend the term of the credit facility to the end of 2018, and increase the amount of the credit facility based on the total financing amount identified in OPG's 2016-2018 Business Plan, following concurrence by the Minister of Energy. OPG obtained concurrence for its Business Plan in November 2016
    - OPG has also received concurrence from the Ministry of Energy for its 2017-2019 Business Plan. That Business Plan projected a borrowing need of $1,750 million in 2017 ($1,500 million in 2016-18 Business Plan) and $650 million total in 2018 ($850 million in 2016-18 Business Plan) from the credit facility. This revised amount, in aggregate, is close to the approved amounts of the Minister's directive between 2017 and 2018, and the shift in the timing of about $200 million from 2018 to 2017 is consistent with the Directive on the total financing amount.
    - In September 2017, amendments to the credit facility were finalized to increase the facility to $2.35 billion and extend the expiry date to December 31, 2018.

- In the 2018-2021 Business Plan, OPG spent $1,249 million in 2017 and projects to spend $1,231 million in 2018 on the Darlington Refurbishment project.

- In 2017, OPG borrowed a total of $800 million under the credit facility. During the first quarter of 2018, it borrowed an additional $600 million. The term of all of the borrowings is 30 years.

- OPG filed its regulated rate application in May 2016 for rates starting as at January 1, 2017 and covering a period of 5 years from 2017 to 2021. The Ontario Energy Board (OEB) issued its decision in December 2017, and its decision determined that new prices would be applied with an effective date of June 1, 2017.

    - OPG recognized the impact of the OEB's decision in the fourth quarter of 2017, which resulted in a net revenue increase of approximately $480 million related to the June 1, 2017 to December 31, 2017 period, compared to the prior rates.

    - In January 2018, OPG submitted a draft payment amounts order to the OEB that implemented the decision's findings into the final proposed regulated prices. The OEB is expected to issue the final payment amounts order in the first half of 2018, at which time OPG will begin to collect revenues based on new regulated prices. The OEB's approval of the final payment amounts order is not expected to have a material impact on the amount of net revenue recorded in the fourth quarter of 2017.

    - In January 2018, OPG filed a Notice of Motion to review and vary the OEB's decision of rates being effective June 1, 2017 instead of the requested date of January 1, 2017 and an oral hearing to present their arguments occurred on April 2017. This case is currently being reviewed by the OEB.

    - An amended OEB decision with respect to the Motion to Review could affect OPG's longer term liquidity outlook and net income.

- OPG was appointed the Financial Services Manager under the Ontario Fair Hydro Plan Act, 2017 (the Act) and, in December 2017, established the Fair Hydro Trust (the Trust) as the financing entity for the Act:

    - As reported in OPG's Q4 2017 Financial Statement, in December 2017 the Trust purchased its first tranche of financing receivable assets from the Independent Electricity System Operator in the amount of approximately $1.18 billion. In February 2018, the Trust issued a total of $980 million in term debt funding consisting of $500 million in senior notes payable, $382 million in subordinated debt and $98 million in junior subordinated debt maturing in 2033. This left $199 million in OPG's warehouse funding facility.

    - On March 22, 2018, OPG purchased the second tranche of financing receivable assets from the IESO in the amount of approximately $460 million.

- On April 19, 2018, the Trust issued $400 million of senior notes payable maturing in 2038. The amounts of subordinated and junior subordinated debts along with the amounts left in the warehouse funding facility are still to be determined.

- On April 20, 2018, OPG purchased the third tranche of financing receivable assets from the Independent Electricity System Operator in the amount of approximately $149 million. Additional note offerings are anticipated.

- **OPG Current Financial Outlook, based upon financing updates up to December 31, 2017:** (Note – numbers are subject to rounding)

Calendar Years,($ millions)	**2017 Actual**	**Q1-Q4 2018 Forecast**	**2018 Forecast**
Opening Cash	**186**	**48**	**234**
Cash from Operations	944	524	1,468
Approved Capital Expenditures	(1,853)	(213)	(2,066)
PS Term Deposit Maturity	70	(70)	-
Pre-tax Proceeds – Sale of Head Office	484	(484)	-
Pre-tax Proceeds – Sale of Lakeview Site	-	267	267
Acquisition of Fair Hydro Trust financing receivables	(1,179)	(1,147)	(2,326)
Maturing Debt	(1,103)	705	(398)
New Debt to OEFC and Additional Corporate Debt*	1,301	(110)	1,191
Issuance of Fair Hydro Trust long-term debt	601	583	1,184
Issuance of Class A Shares**	519	503	1,022
Commercial Paper	260	(60)	200
Distributions to Non-Controlling Interest	(15)	(7)	(22)
Capital Contribution from Non-Controlling Interest	19	(19)	-
Dividends (Net Proceeds of Distribution to Trillium Trust***)	-	(482)	(482)
Net Cash flow	**48**	**(9)**	**39**
Ending Cash	**234**	**39**	**273**

* Financing from OEFC for general corporate purposes including Darlington Refurbishment project. The current credit facility allows up to $2.35 billion to the end of 2018 consistent with 2016-2018 OPG Business Plan. As of December 31, 2017 debt to OEFC totaled to $800M and in Oct 2017 OPG issued $500M of senior notes payable under a Medium Term Note Program for general corporate purposes.

** In December 2017, OPG issued non-voting Class A shares to the Province for its equity injection in the company, generating proceeds of $519M. These proceeds were used by OPG to purchase the Fair Hydro Trust's subordinated debt in the amount of 44%of the total funding requirement for the Trust's acquisition of Investment Interest from the IESO in December 2017.

*** The Trillium Trust regulation for the head office properties was filed in March 2018, with OPG paying the net proceeds of approximately $283M shortly after as a dividend to the Province. Note that the Trillium Trust regulation timing for the Lakeview site is likely to be in 2018. Analysis and verification of records in support of prescribed costs under the *Trillium Trust Act, 2014* needs to be undertaken.

Background

The following table provides the details of deferrals of debt and interest payments, refinancing, and new loans commencing from December of 2004.

Timing	Action	Details
July 2016 Board meeting	Received Minister's Directive on June 17, 2016, for general corporate purposes including Darlington Refurbishment project up to $700 million. Directive provides approval for subsequent loans not totalling more than $2.3 billion but is subject to concurrence by Shareholder with OPG's business plan, and to not exceed $3 billion in total.	Under credit facility, loans shall have a term not exceeding thirty years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread based on a survey of market rates. Interest rate and term of each loan shall be determined by OEFC. Loan agreement signed on June 17, 2016. An amendment was signed on September 6, 2017 to increase the amount of the credit facility to $1.5 billion in 2017 and $850 million in 2018.
December 2014 Board meeting	Subject to receiving Minister's Directive for general corporate purposes including Darlington Refurbishment project up to $800 million.	Under the credit facility, up to 50% of advances may have a term up to 30 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Received Minister's directive on December 18, 2014. Loan agreement was signed on December 22, 2014.
December 2013 Board meeting	Received Minister's Directive for general corporate purposes including Darlington Refurbishment project up to $500 million.	Under the credit facility, up to 50% of advances may have a term up to 30 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on December 20, 2013.
April 2012 Board meeting	Received Minister's Directive for refinancing of maturing debt up to $400 million.	Under the credit facility, advances up to $200 million may have a term up to 30 years. The remaining $200 million may have a term up to 10 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on April 26, 2012.
April 2011 Board meeting	Received Minister's Directive for refinancing of maturing debt up to $375 million.	Under the credit facility, each advance will have a term up to 30 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on March 7, 2011.
September 2010 Board meeting	Received Minister's Directive for $700 million loan to OPG for the Lower Mattagami project.	Under the credit facility each advance will have a term up to 10 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on March 7, 2011.

Timing	Action	Details
September 2009 Board meeting	Subject to receiving Minister's directives, approved the refinancing of maturing debt up to $970 million and an increase in the Niagara Tunnel loan to $1.6 billion.	The refinancing debt facility will have a term of one year; each advance will have a term up to 10 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Received Minister's directive on January 20, 2010 for refinancing up to $970 million of maturing debt. Loan agreement signed March 8, 2010. Received Minister's directive on April 22, 2010 for increase in the Niagara Tunnel loan to $1.6 billion and extension of the expiry date to December 2014. Amendment signed July 21, 2010.
June 2007 Board meeting	Pursuant to a Minister's directive dated June 11, 2007, approved a loan for up to $950 million for refinancing debt issued to OEFC and a loan for up to $500 million for general corporate requirements.	Structured to provide advances in tranches. The ability to draw on the refinancing facility to expire on Dec 31, 2009, and the general corporate requirements facility expired on March 31, 2008 (OPG has fully drawn on this facility). Each advance shall have a term up to 10 years. The interest rate is based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement for the general corporate requirements signed on June 14, 2007. Loan agreement for the refinancing maturing debt signed on July 6, 2007.
April 2006 Board meeting	Subject to receiving a Minister's directive, approved a loan for up to $400 million for the Portlands project and a loan for up to $50 for the Lac Seul project.	Structured to provide advances in tranches over a 3 year period. Each advance shall have a term as may be determined by the Chief Executive Officer of OEFC or his/her designate. Interest based on Government of Canada benchmark bond yield plus a spread determined by OEFC. Minister's Directives dated October 25, 2006. Loan agreements for the Portlands and Lac Seul projects signed on December 6, 2006.
September 2005 Board meeting	Pursuant to the Minister's Directive dated August 18, 2005, approved loan for up to $1 billion for the Niagara Tunnel project.	Structured to provide advances in tranches over a 5 year period commencing in 2005. Terms of each advance not to exceed 10 years. Interest based on Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement signed on September 21, 2005.

Timing	Action	Details
September 2005 Board meeting (cont'd)	Subject to receiving a Minister's Directive, approved a loan for up to $95 million for the Thunder Bay conversion.	Structured to provide advances in tranches over a 2 year period commencing late 2005 or early 2006. Terms of each advance not to exceed 10 years. Interest based on Government of Canada benchmark bond yield plus a spread determined by OEFC. Minister's Directive dated September 26, 2005. Loan agreement signed on November 14, 2005. In June 2006 the Government revoked its Directive to OPG on the Thunder Bay conversion project. OEFC and OPG terminated the loan agreement on September 29, 2006.
June 2005 Board meeting	OEFC Board was advised that OPG had approached OFA/OEFC to get funding indications for Niagara Tunnel Project. While the government had provided overall support for the Niagara Tunnel Project, OEFC Board advised that staff would be coming back to the board to request a loan once a directive had been obtained	
March 2005 Board meeting	Pursuant to a Minister's Directive, $600 million in loans was approved to address OPG operating cash flow funding requirements from April 1, 2005 to March 31, 2006	Structured to provide for drawdowns in 1 or more tranches at market rates for terms ranging from 3 to 7 years. Rates determined by OEFC. In May 2005, OPG borrowed $400 million, for a 7 year term at 5.715% (spread of 1.75% over the respective Canada bond)
	Loan approval for $98 million to OPG for a 5 year term commencing September 22, 2005	Loan to offset interest payments on loans due that day and to be extended at market rates determined by OEFC. Subsequently, OPG declined this loan due to higher than expected revenues.
December 2004 Board meeting	Extend $250 million March 22, 2005 debt maturity for another 5 years	Original average 5.62% borrowing cost maintained for extended loan
	Extend $250 million September 22, 2005 debt maturity for another 5 years	Original average 5.62% borrowing cost maintained for extended loan
	Loan $95 million to OPG for a 5 year term commencing Mar. 22, 2005	Loan to offset interest payments on loans due that day and 5.62% rate used for new loan

OPG Debt Maturity Schedule (at April 23, 2018, 2017):

Maturity Date	Coupon Rate (%)	Amount ($ m)
Jul 22, 2018	5.497	50
Oct 22, 2018	6.325	20
Jan 22, 2019	6.178	40
Mar 22, 2019	5.651	100
Apr 22, 2019	5.635	75
Jul 22, 2019	5.184	65
Oct 22, 2019	4.857	85
Jan 22, 2020	4.618	50
Mar 22, 2020	4.679	230
Apr 22, 2020	4.954	65
Jul 22, 2020	4.658	35
Sep 22, 2020	4.391	230
Oct 22, 2020	4.094	50
Jan 22, 2021	4.573	40
Apr 22, 2021	4.633	35
Jul 22, 2021	4.152	50
Oct 22, 2021	3.985	60
Jan 22, 2022	3.583	40
Apr 22, 2022	3.521	35
Jul 22, 2022	2.981	45
Oct 22, 2022	3.163	30
Jan 22, 2023	3.27	20
Apr 22, 2023	2.961	20
Nov 22, 2026	3.037	50
Mar 22, 2041	5.397	150
Sep 22, 2041	4.74	150
Apr 22, 2042	4.356	200
Nov 22, 2046	4.028	50
Feb 22, 2047	4.122	200
Jun 22, 2047	3.648	100
Aug 22, 2047	3.858	100
Sep 22, 2047	4.066	400
Jan 22, 2048	3.874	200
Mar 22, 2048	3.997	400
Total Outstanding		**3,470.0**

Status of Project Financing (at April 23, 2018):

Project	Amount Authorized under Loan Agreement	Total Borrowing to Date	Expiry Date of Loan Agreement	Status of Project
Corporate Credit Facility	$2.35 billion	$1,400 million	Dec 31, 2018	-
Niagara Tunnel	$1.6 billion	$1,065 million	Dec 30, 2014	Completed
Portlands	$400 million	$390 million	Dec 29, 2009	Completed
Lac Seul	$50 million	$50 million	Dec 29, 2009	Completed
Lower Mattagami	$700 million	-	June 30, 2016	Completed

Prepared by:
Electricity Finance Branch and Capital Market Division
April 23, 2018

From: John Kim
To: Carlos Yep
Subject: OPG senior debt
Date: Thursday, May 31, 2018 4:23:48 PM

Hi Carlos,

On April 24 and in February when the senior debt was issued, we got the rates at which the notes were issued. Would you know if the rate would be inclusive of commission or if not what the commission would be?

I am offsite so cannot chat.

John

Sent from my iPhone

From:	Gavin He
To:	John Kim
Cc:	Shajee Kathirgamanathan
Subject:	RE: April 2018 Investment Interest Transfer and Related Drawdowns - Delivery of COLPA OPG Process Certificate
Date:	Wednesday, April 18, 2018 5:09:45 PM

Hi John,

It seems fine to me. This is the process certificate from OPG, as required by the Change of Law Process Agreement, section 3.01, that OPG needs to notify the Province 5 business days before the incurrence or any amendment of a Funding Obligation. So they are within the timeline.

However, the amounts referenced in the certificate, I don't believe we have insights to that. Would FTD or CMD know?

Regards,
Gavin He

From: John Kim
Sent: Monday, April 16, 2018 2:40 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: FW: April 2018 Investment Interest Transfer and Related Drawdowns - Delivery of COLPA OPG Process Certificate

Could you take a look vs. the agreements signed?

From: Ronald Kwan
Sent: April-16-18 2:39 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Fw: April 2018 Investment Interest Transfer and Related Drawdowns - Delivery of COLPA OPG Process Certificate

Hi John,

Any comments?

Ron

From: HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com> on behalf of LEE John -TREASURY <john.s.lee@opg.com>
Sent: April 16, 2018 2:33 PM
To: Malle Hanslep (MOF); Tobias P. Whitfield (MOF); Thouin, Alena (ENERGY); Ronald Kwan; Ken

Kandeepan
Cc: GRECO Clara -LAWDIV; Ramchandani, Rima; LEE John -TREASURY
Subject: FHP: April 2018 Investment Interest Transfer and Related Drawdowns - Delivery of COLPA OPG Process Certificate

Attached is the Process Certificate of the CFO and Treasurer of Ontario Power Generation Inc., in its capacity as Financial Services Manager, pursuant to section 3.01 of the **Change of Law Process Agreement** made December 21, 2017 between OPG and the Province. This was faxed to the Minister and Deputy Minister of Energy and the Minister and Deputy Minister of Finance today.

Thank you,

John Lee
Vice President, Treasurer
Ontario Power Generation Inc.
416 592-6392
John.s.lee@opg.com

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

From: John Kim
To: Bruno Amara
Subject: RE: 44% equity injection
Date: Thursday, April 27, 2017 4:43:01 PM

Also, one thing that's driving me crazy is the notion that somehow if the equity injection is done at no consideration (dividend or interest cost coverage of some sort) that it is zero interest loan. The Province will get a return on the equity injection to the point that it earns a return.

One thing I'd like staff to do is get in the habit of doing work, consolidating ideas/options, with pros and cons or considerations, before throwing it out there in a group setting whether in an email or at a boardroom type meeting.

I think I'll try to review and send out the IESO two slider to Ron later tonight or tomorrow.

John

From: John Kim
Sent: Thursday, April 27, 2017 4:34 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: 44% equity injection

Hi Bruno,

I did ask Cindy Veinot the question about why is it that the 44% capital injection had to be equity-based and it couldn't be debt capital. She didn't have an answer. So I'm eager to get the Appendix from Ken K. who said he would send it.

John

Y. John Kim
Director, Electricity Finance Branch
Corporate & Electricity Finance Division
Ontario Financing Authority
Ph: 416-212-6996
Email: john.kim@ofina.on.ca

From:	Shajee Kathirgamanathan
To:	John Kim
Subject:	RE: Debt Funding - Tracking Sheet_v2.xlsx
Date:	Thursday, May 31, 2018 11:43:50 AM

Yes, it's CFB's coop.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Thursday, May 31, 2018 11:36 AM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

You know the source data for the 10 and 20 yr rates? Is that CFB coop's daily update or was there other sources?

From: Shajee Kathirgamanathan
Sent: Thursday, May 31, 2018 9:48 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

Hi John,

I finished up the Interest Rate Comparisons and revised the information in the 'Green table' on Tab 1.

Two revisions I made:

- I added the rate with commission
- I added a rate representative of the maturity. However we don't have 15 yr rates for the first issue so just used a simple average.

Happy to omit one or two of the columns in the green table.

File saved here:
S:\Users\CEF\Hydro 2018\Fair Hydro Plan\FHT Funding

Thanks,
Shajee

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Wednesday, May 30, 2018 1:48 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

When you're done with the decks, let me know and we can chat about this. I have a couple of things I want to validate

---

From: Shajee Kathirgamanathan
Sent: Wednesday, May 30, 2018 1:48 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

Sure. I think the 3rd tab might be fine, but can reach out to Carlos about updating the 2nd tab's info.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Wednesday, May 30, 2018 1:35 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

Could we work to finish the 2nd and 3rd tabs?

From: Shajee Kathirgamanathan
Sent: Wednesday, May 30, 2018 1:34 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

Just took a quick look. The 2nd and 3rd tabs were more like a work in progress and nice to haves. I think we were trying to keep track of the state of the warehouse facility (Eg new debt taken on, less debt issued), but I think we were waiting on Carlos' email to provide confirmation. It doesn't seem like it was provided for the April debt issue.

The First tab however is supposed to be maintained, and up-to-date though. Hope there's no issues there.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim

Sent: Wednesday, May 30, 2018 1:30 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: Debt Funding - Tracking Sheet_v2.xlsx

When you're done with the decks, I would like you to take a look at this. See if it looks okay to you. I have some questions on the second and third tabs.

From:	John Kim
To:	Shajee Kathirgamanathan
Subject:	RE: Debt Funding - Tracking Sheet_v2.xlsx
Date:	Thursday, May 31, 2018 11:35:31 AM

You know the source data for the 10 and 20 yr rates? Is that CFB coop's daily update or was there other sources?

From: Shajee Kathirgamanathan
Sent: Thursday, May 31, 2018 9:48 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

Hi John,

I finished up the Interest Rate Comparisons and revised the information in the 'Green table' on Tab 1.

Two revisions I made:

- I added the rate with commission
- I added a rate representative of the maturity. However we don't have 15 yr rates for the first issue so just used a simple average.

Happy to omit one or two of the columns in the green table.

File saved here:
S:\Users\CEF\Hydro 2018\Fair Hydro Plan\FHT Funding

Thanks,
Shajee

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Wednesday, May 30, 2018 1:48 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

When you're done with the decks, let me know and we can chat about this. I have a couple of things I want to validate

---

From: Shajee Kathirgamanathan
Sent: Wednesday, May 30, 2018 1:48 PM

To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

Sure. I think the 3rd tab might be fine, but can reach out to Carlos about updating the 2nd tab's info.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Wednesday, May 30, 2018 1:35 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

Could we work to finish the 2nd and 3rd tabs?

From: Shajee Kathirgamanathan
Sent: Wednesday, May 30, 2018 1:34 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

Just took a quick look. The 2nd and 3rd tabs were more like a work in progress and nice to haves. I think we were trying to keep track of the state of the warehouse facility (Eg new debt taken on, less debt issued), but I think we were waiting on Carlos' email to provide confirmation. It doesn't seem like it was provided for the April debt issue.

The First tab however is supposed to be maintained, and up-to-date though. Hope there's no issues there.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Wednesday, May 30, 2018 1:30 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: Debt Funding - Tracking Sheet_v2.xlsx

When you're done with the decks, I would like you to take a look at this. See if it looks okay to you. I have some questions on the second and third tabs.

From: Shajee Kathirgamanathan
To: John Kim
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx
Date: Thursday, May 31, 2018 9:48:25 AM
Attachments: Debt Funding - Tracking Sheet_v3.xlsx

Hi John,

I finished up the Interest Rate Comparisons and revised the information in the 'Green table' on Tab 1.

Two revisions I made:

- I added the rate with commission
- I added a rate representative of the maturity. However we don't have 15 yr rates for the first issue so just used a simple average.

Happy to omit one or two of the columns in the green table.

File saved here:
S:\Users\CEF\Hydro 2018\Fair Hydro Plan\FHT Funding

Thanks,
Shajee

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Wednesday, May 30, 2018 1:48 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

When you're done with the decks, let me know and we can chat about this. I have a couple of things I want to validate

---

From: Shajee Kathirgamanathan
Sent: Wednesday, May 30, 2018 1:48 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

Sure. I think the 3rd tab might be fine, but can reach out to Carlos about updating the 2nd tab's info.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Wednesday, May 30, 2018 1:35 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

Could we work to finish the 2nd and 3rd tabs?

From: Shajee Kathirgamanathan
Sent: Wednesday, May 30, 2018 1:34 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

Just took a quick look. The 2nd and 3rd tabs were more like a work in progress and nice to haves. I think we were trying to keep track of the state of the warehouse facility (Eg new debt taken on, less debt issued), but I think we were waiting on Carlos' email to provide confirmation. It doesn't seem like it was provided for the April debt issue.

The First tab however is supposed to be maintained, and up-to-date though. Hope there's no issues there.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Wednesday, May 30, 2018 1:30 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: Debt Funding - Tracking Sheet_v2.xlsx

When you're done with the decks, I would like you to take a look at this. See if it looks okay to you. I have some questions on the second and third tabs.

Summary:

Total Funding	Term Debt Takeout
Senior debt	900,000,000.00
Subordinated	688,235,000.00
Junior subordinated	176,471,000.00
Total	**1,764,706,000.00**

Issuing Month
February 9, 2018
April 24, 2018
Total

Date Issued	Debt Type	Amount	Interest Rate	Maturity Date
February 9, 2018	Senior debt	500,000,000.00	3.357%	May 15, 2033
February 9, 2018	Subordinated	382,353,000.00	3.637%	May 15, 2033
February 9, 2018	Junior subordinated	98,040,000.00	3.957%	May 15, 2033
April 24, 2018	Senior debt	400,000,000.00	3.520%	May 15, 2038
April 24, 2018	Subordinated	305,882,000.00	3.834%	May 15, 2038
April 24, 2018	Junior subordinated	78,431,000.00	4.214%	May 15, 2038

Weighted Average	Ont Yield - 30yr	Ont Yield - 30yr w/ Commission	Debt Issue Maturity	Ont Rate
3.526%	3.23%	3.25%	15 year	3.10%
3.712%	3.23%	3.26%	20 year	3.22%
3.609%				

Series Number	Comments	Source
2018-1		Link
2018-1		Link
2018-1		Link
2018-2		LInk
2018-2		LInk
2018-2		LInk

Ont Rate - w/ Commission	Notes	Souce
3.14%	(Feb 9 Rate)	Link
3.25%	(Apr 24 rate)	Link

April 19, 2018 Debt Financing

IESO Asset Purchase:
460,000,000.00
149,000,000.00
609,000,000.00
Remaining Balance from Previous:
198,607,000.00
Starting Balance:
807,607,000.00

Warehouse Funding			**Starting Balance**
Senior debt	B=51% x A		411,879,570.00
Subordinated	39/51 X B		314,966,730.00
Junior subordinated	10/51 X B		80,760,700.00
			807,607,000.00
Term Debt Funding			
Senior debt		51.00%	
Subordinated		39.00%	
Junior subordinated		10.00%	
			-
Total Funding			
Senior debt		51.00%	411,879,570.00
Subordinated		39.00%	314,966,730.00
Junior subordinated		10.00%	80,760,700.00
			807,607,000.00

Term debt takeout		
(980,392,156.86)	**Ending Balance**	
(400,000,000.00)	11,879,570.00	51%
(305,882,000.00)	9,084,730.00	39%
(78,431,000.00)	2,329,700.00	10%
(784,313,000.00)	23,294,000.00	
400,000,000.00	400,000,000.00	51%
305,882,000.00	305,882,000.00	39%
78,431,000.00	78,431,000.00	10%
784,313,000.00	784,313,000.00	
-	411,879,570.00	51%
-	314,966,730.00	39%
-	80,760,700.00	10%
0.00	807,607,000.00	

February 6, 2018 Debt Financing

Initial Balance:
1,179,000,000.00

Warehouse Funding			**Initial Balance**
Senior debt	B=51% x A		601,290,000.00
Subordinated	39/51 X B		459,810,000.00
Junior subordinated	10/51 X B		117,900,000.00
			1,179,000,000.00
Term Debt Funding			
Senior debt		51.00%	
Subordinated		39.00%	
Junior subordinated		10.00%	
			-
Total Funding			
Senior debt		51.00%	601,290,000.00
Subordinated		39.00%	459,810,000.00
Junior subordinated		10.00%	117,900,000.00
			1,179,000,000.00

Term debt takeout (980,392,156.86)	Ending Balance	
(500,000,000.00)	101,290,000.00	51%
(382,353,000.00)	77,457,000.00	39%
(98,040,000.00)	19,860,000.00	10%
(980,393,000.00)	198,607,000.00	
500,000,000.00	500,000,000.00	51%
382,353,000.00	382,353,000.00	39%
98,040,000.00	98,040,000.00	10%
980,393,000.00	980,393,000.00	
-	601,290,000.00	51%
-	459,810,000.00	39%
-	117,900,000.00	10%
0.00	1,179,000,000.00	

From:	Shajee Kathirgamanathan
To:	John Kim
Subject:	RE: Debt Funding - Tracking Sheet_v2.xlsx
Date:	Thursday, May 31, 2018 11:50:03 AM

It's there. There should be links in the file

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Thursday, May 31, 2018 11:50 AM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: Re: Debt Funding - Tracking Sheet_v2.xlsx

Thanks, could you save the backup in the folder, if not done already?

Sent from my iPad

On May 31, 2018, at 11:43 AM, Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca> wrote:

> Yes, it's CFB's coop.
>
> **Shajee Kathirgamanathan**
> Office: 416-325-1402 | Mobile: 647-294-3359
> shajee.kathirgamanathan@ofina.on.ca
>
> ---
>
> **From:** John Kim
> **Sent:** Thursday, May 31, 2018 11:36 AM
> **To:** Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
> **Subject:** RE: Debt Funding - Tracking Sheet_v2.xlsx
>
> You know the source data for the 10 and 20 yr rates? Is that CFB coop's daily update or was there other sources?
>
> ---
>
> **From:** Shajee Kathirgamanathan
> **Sent:** Thursday, May 31, 2018 9:48 AM
> **To:** John Kim <John.Kim@ofina.on.ca>
> **Subject:** RE: Debt Funding - Tracking Sheet_v2.xlsx
>
> Hi John,
>
> I finished up the Interest Rate Comparisons and revised the information in the 'Green table' on Tab 1.

Two revisions I made:

- I added the rate with commission
- I added a rate representative of the maturity. However we don't have 15 yr rates for the first issue so just used a simple average.

Happy to omit one or two of the columns in the green table.

File saved here:
S:\Users\CEF\Hydro 2018\Fair Hydro Plan\FHT Funding

Thanks,
Shajee

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Wednesday, May 30, 2018 1:48 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

When you're done with the decks, let me know and we can chat about this. I have a couple of things I want to validate

---

From: Shajee Kathirgamanathan
Sent: Wednesday, May 30, 2018 1:48 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

Sure. I think the 3rd tab might be fine, but can reach out to Carlos about updating the 2nd tab's info.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Wednesday, May 30, 2018 1:35 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

Could we work to finish the 2nd and 3rd tabs?

From: Shajee Kathirgamanathan
Sent: Wednesday, May 30, 2018 1:34 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

Just took a quick look. The 2nd and 3rd tabs were more like a work in progress and nice to haves. I think we were trying to keep track of the state of the warehouse facility (Eg new debt taken on, less debt issued), but I think we were waiting on Carlos' email to provide confirmation. It doesn't seem like it was provided for the April debt issue.

The First tab however is supposed to be maintained, and up-to-date though. Hope there's no issues there.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Wednesday, May 30, 2018 1:30 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: Debt Funding - Tracking Sheet_v2.xlsx

When you're done with the decks, I would like you to take a look at this. See if it looks okay to you. I have some questions on the second and third tabs.

From:	John Kim
To:	"LEE John -TREASURY"; "LAURETA LAPIRA May -FIN & C CTRL"; "lubna.ladak@opg.com"; "RYFA Ken -TREASURY"; "Talwar, Shruti (ENERGY)"; "j.hahnparker@opg.com"; Tim Christie (ENERGY); Mike Manning; Ken Kandeepan
Cc:	Ronald Kwan
Subject:	RE: Draft Fair Hydro Investor Presentation.
Date:	Wednesday, January 03, 2018 7:13:25 PM
Attachments:	Fair Hydro Investor Presentation Comments - ENERGY - 20171229_Additions_v07Clean_MOFLSBCEFD v3.docx

Attached is with MOF LSB comments consolidated.

From: John Kim
Sent: January-03-18 3:16 PM
To: 'LEE John -TREASURY' <john.s.lee@opg.com>; 'LAURETA LAPIRA May -FIN & C CTRL' <may.lapira@opg.com>; 'lubna.ladak@opg.com' <lubna.ladak@opg.com>; 'RYFA Ken -TREASURY' <ken.ryfa@opg.com>; 'Talwar, Shruti (ENERGY)' <Shruti.Talwar@ontario.ca>; 'j.hahnparker@opg.com' <j.hahnparker@opg.com>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: Draft Fair Hydro Investor Presentation.

Sorry, forgot to copy Ron….must be the jetlag from my recent trip.

From: John Kim
Sent: Wednesday, January 03, 2018 2:44 PM
To: LEE John -TREASURY <john.s.lee@opg.com>; 'LAURETA LAPIRA May -FIN & C CTRL' <may.lapira@opg.com>; 'lubna.ladak@opg.com' <lubna.ladak@opg.com>; 'RYFA Ken -TREASURY' <ken.ryfa@opg.com>; 'Talwar, Shruti (ENERGY)' <Shruti.Talwar@ontario.ca>; 'j.hahnparker@opg.com' <j.hahnparker@opg.com>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: FW: Draft Fair Hydro Investor Presentation.

Hi,

Pls. see attached with our suggested comment additions in red. We are still waiting for comments from MOF Legal, if any.

Thanks,

John

Begin forwarded message:

From: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Date: January 3, 2018 at 10:25:21 AM EST
To: John LEE <john.s.lee@opg.com>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>, LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>, LADAK Lubna -TREASURY <lubna.ladak@opg.com>, RYFA Ken -TREASURY <ken.ryfa@opg.com>, "Shruti.Talwar@ontario.ca" <Shruti.Talwar@ontario.ca>, HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>, "Tim Christie (ENERGY)" <Tim.Christie@ontario.ca>, Mike Manning <Mike.Manning@ofina.on.ca>
Subject: Re: Draft Fair Hydro Investor Presentation.

Hi,

And we'll have a couple comments as well, and we looped in MOF Legal to take a quick look too.

Thanks,
Ron

On Jan 3, 2018, at 10:15 AM, Mike Manning <Mike.Manning@ofina.on.ca> wrote:

> Hi John:
> I think Ken caught the main issues on my side as well.
>
> Mike
>
> ---
>
> **From:** Ken Kandeepan
> **Sent:** Wednesday, January 03, 2018 10:00 AM
> **To:** 'LEE John -TREASURY' <john.s.lee@opg.com>
> **Cc:** Mike Manning <Mike.Manning@ofina.on.ca>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Shruti.Talwar@ontario.ca; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Subject:** RE: Draft Fair Hydro Investor Presentation.
>
> Hi John
>
> Happy new year, hope you had a few days off. Pls see some minor comments, I have limited my review to the Province's role in the OFHP. Mike may have others.
>
> - Page 15 – last bullet; the $2 billion credit facility has been extended from the OFA, not the OEFC
> - Page 25 - Change of law Process Agreement; I would add that

the PAM is set and updated by the Financing Plan.

Thanks

Ken k

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: Thursday, December 21, 2017 5:33 PM
To: Tim Christie (ENERGY) <Tim.Christie@ontario.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Shruti.Talwar@ontario.ca; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>
Subject: Draft Fair Hydro Investor Presentation.

Tim:

As discussed attached is the most current draft of the Investor Presentation. If you or the MOE or OFA have any comments please let us know.

The plan is to have another turn of the document in the 1st week in January. May will have the "pen" from our side.

Have a Merry Christmas.

John

John Lee | Vice President Treasurer |
Ontario Power Generation | 700 University Avenue, H18 A6, Toronto, Ontario M5G 1X6 |
416.592.6392 | john.s.lee@opg.com

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly

prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

Fair Hydro Investor Presentation Comments

Slide #	Reference	Comment
Disclaimers	Last par.	How will this presentation be used, and is it in conjunction with the offering memorandum? [MOF LSB]
Slide 4	Images	Consider removing the nuclear and large hydro images as the plan only covers costs from renewables procurements, gas and conservation.
Slide 6	First bullet	Suggest using "proxy consumer" instead of "average" in this context, which would be more accurate and consistent with legislation as covered later in the presentation.[MOF LSB: Where is Proxy Consumer explained?]
Slide 6	Second bullet	Suggest changing "8% rebate in the provincial portion…" to " 8% rebate equivalent to the provincial portion…".
Slide 6	Third bullet	Language suggest that bills will increase back to status quo in 2021 – suggest adding language regarding increases back up to and past the status quo over time.
Slide 7	First bullet	Consider replacing the phrase starting from "in an amount…" with "in such an amount that the total OPG-held subordinated debt does not exceed 49% of all outstanding debt", for clarity.
Slide 11	First bullet	Suggest rewording to the following: "As part of the restructuring of Ontario's electricity industry under the Energy Competition Act, 1998, the municipal electricity utilities became municipally-owned business corporations, including local distribution companies ("LDCs")." – Some LDCs continue to be municipally-owned, while others have been sold to or acquired by Hydro One or private-sector owners."
Slide 14	Second bullet	Consider replacing "previously established regulated rate" with "regulated rate established in the first year of the Rate Reduction Period".
Slide 14	Last bullet	Similar to comment on Slide 6 above, suggest referencing increases back up to and beyond status quo beyond the moratorium period~~over time~~.
Slide 15	Third bullet of Moratorium Period section	Consider adding in the words "in favour of the Trust" at the end of the bullet [IESO Security Agreement].
Slide 15	Last bullet	The $2 billion credit facility is provided by the Ontario Financing Authority, not the OEFC. Also, consider rewording so as not to suggest that the $2 billion facility is solely for "carrying costs". Also, suggest that the last clause on security be a stand-alone bullet, not part of the OFA credit facility bullet, and should come before the other part of this bullet (i.e., become the third bullet of this section).

Slide 16	Second bullet	Consider rephrasing to align better with the offering memorandum and legislation.
Slide 16	Third bullet	Consider adding in the word "mainly" before "in respect of …" [see O.Reg. 206/17 section 5]. [MOF LSB: This is a defined term in the Act.]
Slide 16	Bill image	Consider removing as text description should be sufficient.
Slide 17	Second bullet	Consider replacing the words "dealt with" with "mitigated" to avoid suggesting that the risk is eliminated.
Slide 17	Number 2 in the process chart	Consider adding in the word "amount" at the end [O.Reg. 206/17 section 8(2)].
Slide 17	Number 6 in the process chart	Consider replacing the words "in a trust" with "in trust" [FHPA section 16(3)].
Slide 18	Chart	Consider adding explanation of readjustment amount.
Slide 20	Chart	Should the Province's indemnity to OPG [& IESO] be referred to here? [MOF LSB] Also consider whether Management Agreement should be included? [MOF LSB]
Slide 20	OEB's relationship with OPG in the diagram	Consider replacing "review of OPG Fees" with "review and approval of OPG Fees" to better align with the language in O. Reg. 206/17. Consider replacing "Management Agreement" with "Regulation".
Slide 20	IESO's relationship with the Fair Hydro Trust	Note that the Acknowledgement and Indemnity Agreement is made to the Indenture Trustee. Consider editing to avoid confusion.
Slide 20	Ontario Caption	Suggest just having "Province of Ontario" (i.e., omit "(Ministry of Energy)") [MOF LSB: Agree, as MOF is also signatory to some agreements.]
Slide 21	"Suspension Notice"	May wish to consider noting in the sentence that post-suspension refinancing is covered by the guarantee. As this was something Torys made a point of including in the agreement for financeability, suggest including for investors.
Below is a track changes on slides 21 and 22		
Change of Law Protection Agreement		
Parties	• Province of Ontario ~~as Obligor~~ and (2) Indenture Trustee as trustee of the FHT, on behalf of Specified Creditors, ~~as Beneficiaries~~ and (3) OPG as Financial Services Manager ("FSM")	
Purpose	• Provides assurance to Specified Creditors ~~investors~~ that upon the occurrence of a Protection Event, the Province of Ontario will ~~have an obligation to make~~ pay~~ments~~ Approved Obligations on behalf of the Trust, with [limited rights of acceleration][NTD: Consider how to phrase acceleration issue].	
Key Terms	• Term: Continues for as long as any obligations of the Trust that are secured under the	

	Master Trust Indenture (MTI) remain outstanding [MOF LSB: Only if such amounts are covered by the Limited Guarantee] • Mandatory Payment: Upon the occurrence of a Protection Event, the Indenture Trustee has the right to require the Province to pay all Approved ~~o~~Obligations when due and payable • Priority of Payments: The priority of payments is governed by the waterfall provision under the MTI • Adherence Conditions: OPG as FSM is required to comply with certain conditions, including the delivery of an Adherence Compliance Certificate, prior to the issuance of debt which is to benefit from C~~c~~hange in ~~l~~Law ~~p~~Protection Agreement from the Province • Suspension Notice: The Province may deliver a suspension notice upon the occurrence of a program breach, a default in performance, or misrepresentation by OPG as FSM, and any new funding ~~after which date~~ funding obligations that are incurred after the date of a suspension notice will not have the benefit of the Change of Law Protection, ~~upon the occurrence of a program breach, a default in performance, or misrepresentation by OPG as FSM~~ [MOF LSB: Should the pre-approved refinancing provisions be referred to here?]
Protection Events	The occurrence of any of the following events: • The Legislature repeals (and does not replace on an equivalent basis) or amends the FHP Act or any portion thereof as in effect on the date hereof • The Legislature enacts or amends any other statute • The Lieutenant Governor in Council repeals (and does not replace on an equivalent basis) the regulations made under the Act or any portion thereof as in effect on the date hereof • The Lieutenant Governor in Council, a minister of the Crown, an official of the government or a board or commission all the members of which are appointed by the Lieutenant Governor in Council makes or amends any "regulation" (as defined in Part III of the Legislation Act, 2006) as in effect on the date hereof • The implementation of a change in the organization or structure of the IESO or Ontario's electricity market undertaken at the initiative of the Province or an entity controlled by the Province • A court of competent jurisdiction determines that all or a portion of the Act or the regulations made under the Act, is ultra vires or invalid in a way that adversely affects the ability of the Trust to adversely affects the ability of the Financing Entity to receive amounts in respect of its Investment Interest so that it can pay Approved Obligations when due and payable~~pay its obligations~~ in each case that adversely affects the ability of the Trust to pay its obligations when due and payable, taking into account any funds available in reserve accounts, any credit enhancement available and any reasonably expected potential effect of a true-up amount

Slide 23	Key Terms – Moratorium Period (bullet 3)	Consider replacing "(until May 1, 2021)" to "(until April 30, 2021) and up to July 31, 2021" [see section 21(4) of FHPA and section 9.1 of O. Reg. 206/17]. Consider removing "which will be offered, as regulatory assets, for transfer to the Trust in a subsequent period", since this is not expressly provided in the MTSA [also see section 16 of O. Reg. 206/17].
Slide 28	Third bullet	Consider replacing "fit under the fair allocation curve" with "ensure reasonable alignment with fair allocation amounts". [see paragraph 1 of section 21(3) of FHPA].
Slide 31	Chart	The post-FHP bill should not follow the status quo trajectory between 2025 and 2028 – bill should be above status quo including rebates as the FAA is positive for those years (Fair Adjustment would be used to offset the majority of the CEA but the amount of the FAA would remain).
Slide 33	Acceleration Bullet	Should this reference cap in regulation? [MOF LSB]
Slide 36	First bullet	Consider removing references to "statutorily mandated". Remittances from IESO are mandated under s. 9.1 of O. Reg. 206/17.
Slide 36	Guarantor	Should this refer to a limited guarantee to make relationship clear? [MOF LSB]
Slide 38	Political Risk	Consider reviewing the characterization of the risk to align with the risk as described in the Agreements.
Slide 38	Third bullet	Please note reference to ability to disconnect service for non-payment by LDCs isn't fully reflective of the requirement, consider revising to be more reflective of the actual mechanism.

From: John Kim
To: Shajee Kathirgamanathan; Gavin He
Cc: Bruno Amara
Subject: RE: Draft Fair Hydro Investor Presentation.
Date: Wednesday, January 03, 2018 12:58:24 PM

Hi,

Let's get the nuance around the second paragraph right….I missed that part. Ron is right.

Thanks,

John

From: Ronald Kwan
Sent: Wednesday, January 03, 2018 12:49 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: Draft Fair Hydro Investor Presentation.

Hi John,

I think having Ministry of Energy in the diagrams on slides 7&9 is ok, given the context is different. For the Protection Agreement, the Minister of Finance is also a signatory and provides it as provided for under the ACT and OIC. That's different than the equity injection and oversight role over the agencies and representative of the shareholder roles on the slides 7&9.

Technically, isn't OPG buying the right to the future recovery from specified ratepayers, not a regulatory asset? The regulatory asset is what the IESO can record on its books, which is under its accounting standards. OPG does not acquire the regulatory asset. On buying the right to recovery or those future cash flows, it records that as an investment asset.

Ron

On Jan 3, 2018, at 11:56 AM, John Kim <John.Kim@ofina.on.ca> wrote:

> Hi Ron,
>
> Pls. see attached.
>
> Thanks,
>
> John
>
> ---
>
> **From:** Bruno Amara
> **Sent:** Wednesday, January 03, 2018 10:18 AM

To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: Draft Fair Hydro Investor Presentation.

Yep, thanks. We added that comment. We will send back soon.

Bruno

From: Ronald Kwan
Sent: Wednesday, January 03, 2018 10:02 AM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: Re: Draft Fair Hydro Investor Presentation.

Oops. That's an OFA facility, of course, not OEFC.

Ron

On Jan 3, 2018, at 7:00 AM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Hi,
>
> I had a quick look and added a bit to Energy's table as a start.
>
> Ron
>
> ---
>
> **From:** Ronald Kwan
> **Sent:** January-02-18 11:18 PM
> **To:** John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
> **Subject:** FW: Draft Fair Hydro Investor Presentation.
>
> Hi,
>
> FYI on Energy's comments.
>
> Ron
>
> ---
>
> **From:** Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
> **Sent:** January-02-18 3:39 PM
> **To:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Subject:** FW: Draft Fair Hydro Investor Presentation.
>
> Ron, here are the comments we have sent on the presentation. Do you know when/if Finance will be sending theirs? OPG was asking.
>
> Tim
>
> ---

From: Christie, Tim (ENERGY)
Sent: January-02-18 3:39 PM
To: 'LEE John -TREASURY'
Cc: Cayley, Daniel (ENERGY); 'LAURETA LAPIRA May -TREASURY'
Subject: RE: Draft Fair Hydro Investor Presentation.

With the attachment.

From: Christie, Tim (ENERGY)
Sent: January-02-18 3:38 PM
To: 'LEE John -TREASURY'
Cc: Cayley, Daniel (ENERGY); LAURETA LAPIRA May -TREASURY
Subject: RE: Draft Fair Hydro Investor Presentation.

John, here are the comments on the investor presentation.

Tim

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: December-21-17 5:33 PM
To: Christie, Tim (ENERGY)
Cc: Manning, Mike (OFA); Kandeepan, Ken (OFA); LAURETA LAPIRA May -TREASURY; LADAK Lubna -TREASURY; RYFA Ken -TREASURY; Talwar, Shruti (ENERGY); HAHN PARKER Janet -TREASURY
Subject: Draft Fair Hydro Investor Presentation.

Tim:

As discussed attached is the most current draft of the Investor Presentation. If you or the MOE or OFA have any comments please let us know.

The plan is to have another turn of the document in the 1st week in January. May will have the "pen" from our side.

Have a Merry Christmas.

John

John Lee | Vice President Treasurer |
Ontario Power Generation | 700 University Avenue, H18 A6, Toronto, Ontario M5G 1X6 |
416.592.6392 | john.s.lee@opg.com

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN

INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

<Fair Hydro Investor Presentation Comments - ENERGY - 20171229_Additions.docx>

<Fair Hydro Investor Presentation Comments - ENERGY - 20171229_Additions_v05Clean.docx>

From:	John Kim
To:	Ronald Kwan
Cc:	Bruno Amara; Shajee Kathirgamanathan; Gavin He
Subject:	RE: Draft Fair Hydro Investor Presentation.
Date:	Wednesday, January 03, 2018 11:56:57 AM
Attachments:	Fair Hydro Investor Presentation Comments - ENERGY - 20171229_Additions_v05Clean.docx

Hi Ron,

Pls. see attached.

Thanks,

John

From: Bruno Amara
Sent: Wednesday, January 03, 2018 10:18 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: Draft Fair Hydro Investor Presentation.

Yep, thanks. We added that comment. We will send back soon.

Bruno

From: Ronald Kwan
Sent: Wednesday, January 03, 2018 10:02 AM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: Re: Draft Fair Hydro Investor Presentation.

Oops. That's an OFA facility, of course, not OEFC.

Ron

On Jan 3, 2018, at 7:00 AM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Hi,
>
> I had a quick look and added a bit to Energy's table as a start.
>
> Ron
>
> ---
>
> **From:** Ronald Kwan
> **Sent:** January-02-18 11:18 PM
> **To:** John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
> **Subject:** FW: Draft Fair Hydro Investor Presentation.
>
> Hi,

FYI on Energy's comments.

Ron

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: January-02-18 3:39 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: Draft Fair Hydro Investor Presentation.

Ron, here are the comments we have sent on the presentation. Do you know when/if Finance will be sending theirs? OPG was asking.

Tim

From: Christie, Tim (ENERGY)
Sent: January-02-18 3:39 PM
To: 'LEE John -TREASURY'
Cc: Cayley, Daniel (ENERGY); 'LAURETA LAPIRA May -TREASURY'
Subject: RE: Draft Fair Hydro Investor Presentation.

With the attachment.

From: Christie, Tim (ENERGY)
Sent: January-02-18 3:38 PM
To: 'LEE John -TREASURY'
Cc: Cayley, Daniel (ENERGY); LAURETA LAPIRA May -TREASURY
Subject: RE: Draft Fair Hydro Investor Presentation.

John, here are the comments on the investor presentation.

Tim

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: December-21-17 5:33 PM
To: Christie, Tim (ENERGY)
Cc: Manning, Mike (OFA); Kandeepan, Ken (OFA); LAURETA LAPIRA May -TREASURY; LADAK Lubna -TREASURY; RYFA Ken -TREASURY; Talwar, Shruti (ENERGY); HAHN PARKER Janet -TREASURY
Subject: Draft Fair Hydro Investor Presentation.

Tim:

As discussed attached is the most current draft of the Investor Presentation. If you or the MOE or OFA have any comments please let us know.

The plan is to have another turn of the document in the 1st week in January. May will have the "pen" from our side.

Have a Merry Christmas.

John

John Lee | Vice President Treasurer |
Ontario Power Generation | 700 University Avenue, H18 A6, Toronto, Ontario M5G 1X6 |
416.592.6392 | john.s.lee@opg.com

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

<Fair Hydro Investor Presentation Comments - ENERGY - 20171229_Additions.docx>

Fair Hydro Investor Presentation Comments

Slide #	Reference	Comment
Slide 4	Images	Consider removing the nuclear and large hydro images as the plan only covers costs form renewables procurements, gas and conservation.
Slide 6	First bullet	Suggest using "proxy consumer" instead of "average" in this context, which would be more accurate and consistent with legislation as covered later in the presentation.
Slide 6	Second bullet	Suggest changing "8% rebate in the provincial portion…" to " 8% rebate equivalent to the provincial portion…".
Slide 6	Third bullet	Language suggest that bills will increase back to status quo in 2021 – suggest adding language regarding increases back up to and past the status quo over time.
Slide 7	First bullet	Consider replacing the phrase starting from "in an amount…" with "in such an amount that the total OPG-held subordinated debt does not exceed 49% of all outstanding debt", for clarity.
Slide 7	IESO	May want to indicate IESO transfer of regulatory asset to FHT
Slide 7 & 9	Province of Ontario graphic	If there's a desire to be consistent with Slide 20 comment below, suggest omitting "Ministry of Energy" just have province of Ontario
Slide 11	First bullet	Suggest rewording to the following: "As part of the restructuring of Ontario's electricity industry under the Energy Competition Act, 1998, the municipal electricity utilities became municipally-owned business corporations, including local distribution companies ("LDCs")." – Some LDCs continue to be municipally-owned, while others have been sold to or acquired by Hydro One or private-sector owners."
Slide 14	Second bullet	Consider replacing "previously established regulated rate" with "regulated rate established in the first year of the Rate Reduction Period".
Slide 14	Last bullet	Similar to comment on Slide 6 above, suggest referencing increases back up to and beyond status quo over time.
Slide 15	Third bullet	Consider adding in the words "in favour of the Trust" at the end of the bullet [IESO Security Agreement]. Also, the $2 billion credit facility is provided by the Ontario Financing Authority, not the OEFC.
Slide 15	Last bullet	Also, consider rewording so as not to suggest that the $2 billion facility is solely for "carrying costs". Also, suggest that the last clause on security be a stand-alone bullet, not part of the OFA credit facility bullet.
Slide 16	Second bullet	Consider rephrasing to align better with the offering memorandum and legislation.
Slide 16	Third bullet	Consider adding in the word "mainly" before "in respect of …" [see O.Reg. 206/17 section 5].

Slide 16	Bill image	Consider removing as text description should be sufficient.
Slide 17	Second bullet	Consider replacing the words “dealt with” with “mitigated” to avoid suggesting that the risk is eliminated.
Slide 17	Number 2 in the process chart	Consider adding in the word “amount” at the end [O.Reg. 206/17 section 8(2)].
Slide 17	Number 6 in the process chart	Consider replacing the words “in a trust” with “in trust” [FHPA section 16(3)].
Slide 18	Chart	Consider adding explanation of readjustment amount.
Slide 20	OEB’s relationship with OPG in the diagram	Consider replacing “review of OPG Fees” with “review and approval of OPG Fees” to better align with the language in O. Reg. 206/17. Consider replacing “Management Agreement” with “Regulation”.
Slide 20	IESO’s relationship with the Fair Hydro Trust	Note that the Acknowledgement and Indemnity Agreement is made to the Indenture Trustee. Consider editing to avoid confusion.
Slide 20	Ontario Caption	Suggest just having “Province of Ontario” (i.e., omit “(Ministry of Energy)”)
Slide 21	"Suspension Notice"	May wish to consider noting in the sentence that post-suspension refinancing is covered by the guarantee. As this was something Torys made a point of including in the agreement for financeability, suggest including for investors.
Slide 23	Key Terms – Moratorium Period (bullet 3)	Consider replacing “(until May 1, 2021)” to “(until April 30, 2021) and up to July 31, 2021” [see section 21(4) of FHPA and section 9.1 of O. Reg. 206/17]. Consider removing “which will be offered, as regulatory assets, for transfer to the Trust in a subsequent period”, since this is not expressly provided in the MTSA [also see section 16 of O. Reg. 206/17].
Slide 28	Third bullet	Consider replacing “fit under the fair allocation curve” with “ensure reasonable alignment with fair allocation amounts”. [see paragraph 1 of section 21(3) of FHPA].
Slide 31	Chart	The post-FHP bill should not follow the status quo trajectory between 2025 and 2028 – bill should be above status quo including rebates as the FAA is positive for those years (Fair Adjustment would be used to offset the majority of the CEA but the amount of the FAA would remain).
Slide 36	First bullet	Consider removing references to “statutorily mandated”. Remittances from IESO are mandated under s. 9.1 of O. Reg. 206/17.
Slide 38	Political Risk	Consider reviewing the characterization of the risk to align with the risk as described in the Agreements.

Slide 38	Third bullet	Please note reference to ability to disconnect service for non-payment by LDCs isn't fully reflective of the requirement, consider revising to be more reflective of the actual mechanism.

From:	John Kim
To:	Gavin He
Cc:	Bruno Amara; Shajee Kathirgamanathan
Subject:	RE: Draft Fair Hydro Investor Presentation.
Date:	Wednesday, January 03, 2018 9:00:28 AM

Yes, I'd like it added to the Word. Without having looked at your comments, to stay with key items only.

John

From: Gavin He
Sent: Wednesday, January 03, 2018 8:55 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Draft Fair Hydro Investor Presentation.

Hi John,

We reviewed the FHT investor presentation yesterday and included our comments in the attached version. I believe Bruno is still reviewing this.

Do you want us to add our comments to Energy's word document as well, in addition to reviewing their comments?

Regards,
Gavin He

From: John Kim
Sent: Wednesday, January 03, 2018 7:25 AM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: FW: Draft Fair Hydro Investor Presentation.

Hi Shajee, Gavin,

Pls. take a look.

John

From: Ronald Kwan
Sent: Wednesday, January 03, 2018 2:29 AM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>

Subject: RE: Draft Fair Hydro Investor Presentation.

Hi,

I had a quick look and added a bit to Energy's table as a start.

Ron

From: Ronald Kwan
Sent: January-02-18 11:18 PM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: FW: Draft Fair Hydro Investor Presentation.

Hi,

FYI on Energy's comments.

Ron

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: January-02-18 3:39 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: Draft Fair Hydro Investor Presentation.

Ron, here are the comments we have sent on the presentation. Do you know when/if Finance will be sending theirs? OPG was asking.

Tim

From: Christie, Tim (ENERGY)
Sent: January-02-18 3:39 PM
To: 'LEE John -TREASURY'
Cc: Cayley, Daniel (ENERGY); 'LAURETA LAPIRA May -TREASURY'
Subject: RE: Draft Fair Hydro Investor Presentation.

With the attachment.

From: Christie, Tim (ENERGY)
Sent: January-02-18 3:38 PM
To: 'LEE John -TREASURY'
Cc: Cayley, Daniel (ENERGY); LAURETA LAPIRA May -TREASURY
Subject: RE: Draft Fair Hydro Investor Presentation.

John, here are the comments on the investor presentation.

Tim

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]

Sent: December-21-17 5:33 PM
To: Christie, Tim (ENERGY)
Cc: Manning, Mike (OFA); Kandeepan, Ken (OFA); LAURETA LAPIRA May -TREASURY; LADAK Lubna - TREASURY; RYFA Ken -TREASURY; Talwar, Shruti (ENERGY); HAHN PARKER Janet -TREASURY
Subject: Draft Fair Hydro Investor Presentation.

Tim:

As discussed attached is the most current draft of the Investor Presentation. If you or the MOE or OFA have any comments please let us know.

The plan is to have another turn of the document in the 1st week in January. May will have the "pen" from our side.

Have a Merry Christmas.

John

John Lee | Vice President Treasurer |
Ontario Power Generation | 700 University Avenue, H18 A6, Toronto, Ontario M5G 1X6 |
416.592.6392 | john.s.lee@opg.com

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

From:	John Kim
To:	Gavin He
Cc:	Shajee Kathirgamanathan
Subject:	RE: Draft Fair Hydro Investor Presentation.
Date:	Wednesday, January 03, 2018 7:12:05 PM

Thanks Gavin. I'm going to use the v3 in the folder.

From: Gavin He
Sent: January-03-18 5:08 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Draft Fair Hydro Investor Presentation.

Hi John,

Attached is the updated consolidated version.

Please note that I changed the color of the edits from Legal to red too, so you will see the formatting changes under my name.

Regards,
Gavin He

From: John Kim
Sent: Wednesday, January 03, 2018 4:23 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Draft Fair Hydro Investor Presentation.

Could we do a file compare and make it all attribute to MOF LSB the delta from our v07Clean? I realize in hindsight….

From: Gavin He
Sent: Wednesday, January 03, 2018 4:22 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: Draft Fair Hydro Investor Presentation.

Hi John,

Here's the consolidated version.

Regards,
Gavin He

From: John Kim
Sent: Wednesday, January 03, 2018 4:16 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: Draft Fair Hydro Investor Presentation.

Hi Gavin,

Could you consolidate to this version? I will come by and explain

Thanks,

John

From: Ronald Kwan
Sent: Wednesday, January 03, 2018 4:00 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Fwd: Draft Fair Hydro Investor Presentation.

Hi John,

Please review and consolidate comments.

Thanks,
Ron

Begin forwarded message:

> **From:** "Whitfield, Tobias P. (MOF)" <Tobias.Whitfield@ontario.ca>
> **Date:** January 3, 2018 at 3:46:58 PM EST
> **To:** "Kwan, Ronald (OFA)" <Ronald.Kwan@ofina.on.ca>, "Hanslep, Malle (MOF)" <Malle.Hanslep@ontario.ca>
> **Cc:** "Kandeepan, Ken (OFA)" <Ken.Kandeepan@ofina.on.ca>, "Manning, Mike (OFA)" <Mike.Manning@ofina.on.ca>
> **Subject: RE: Draft Fair Hydro Investor Presentation.**
>
> Ron,
>
> Please find attached our comments on the investor presentation deck. We have added our comments in track changes to the word document with the other comments.
>
> Mike and Ken, we are also wondering if you have heard anything new about the timing of the term deal and whether there are any documents that have been circulated that we can start to look at.
>
> Best
> Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: January 3, 2018 2:28 AM
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF)
Subject: FW: Draft Fair Hydro Investor Presentation.

Hi Malle, Toby,

Apologies for the short notice, if you have not been looped in earlier. I got the attached from Energy yesterday. OPG is looking for comments ASAP. Would you be able to review and provide any comments for EOD Wednesday?

Also attached is Energy's comments on the deck, with a few preliminary additions added in red. Mike and Ken are also reviewing and said they'd provide comments on Wednesday.

Thanks, and a Happy New Year to you both.

Ron

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: January-02-18 11:39 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: Draft Fair Hydro Investor Presentation.

Hi Ron, here's the presentation. They're looking for comments this week.

Tim

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: December-21-17 5:33 PM
To: Christie, Tim (ENERGY)
Cc: Manning, Mike (OFA); Kandeepan, Ken (OFA); LAURETA LAPIRA May -TREASURY; LADAK Lubna -TREASURY; RYFA Ken -TREASURY; Talwar, Shruti (ENERGY); HAHN PARKER Janet -TREASURY
Subject: Draft Fair Hydro Investor Presentation.

Tim:

As discussed attached is the most current draft of the Investor Presentation. If you or the MOE or OFA have any comments please let us know.

st

The plan is to have another turn of the document in the 1 week in January. May will have the "pen" from our side.

Have a Merry Christmas.

John

John Lee | Vice President Treasurer |
Ontario Power Generation | 700 University Avenue, H18 A6, Toronto, Ontario M5G 1X6 | 416.592.6392 | john.s.lee@opg.com

---

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: John Kim
To: Ronald Kwan
Subject: RE: Draft Fair Hydro Investor Presentation.
Date: Wednesday, January 03, 2018 6:25:05 PM
Attachments: Fair Hydro Investor Presentation Comments - ENERGY - 20171229_Additions_v07Clean_MOFLSBCEFD v1.docx

---

HI Ron,

Not perfectly attributed to MOF LSB but here is the consolidated version. I can qualify that additional items are attributed to MOF LSB….

Thanks,

John

From: Ronald Kwan
Sent: January-03-18 5:46 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: Draft Fair Hydro Investor Presentation.

Thanks John.

Ron

On Jan 3, 2018, at 5:44 PM, John Kim <John.Kim@ofina.on.ca> wrote:

> I am not sure who the questions are for, almost to Energy? Will send the consolidated soon.
>
> Sent from my iPhone
>
> On Jan 3, 2018, at 4:58 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:
>
> > Hi John,
> >
> > Could we consolidate with ours as is, and then send and let OPG and energy sort it out? Or are they questions to us?
> >
> > Ron
> >
> > On Jan 3, 2018, at 4:56 PM, John Kim <John.Kim@ofina.on.ca> wrote:
> >
> > > Hi Ron,
> > >
> > > This will take a bit more time….as some comments/questions from LSB, we don't have immediate answers to.
> > >
> > > Thanks,

John

From: Ronald Kwan
Sent: Wednesday, January 03, 2018 4:00 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Fwd: Draft Fair Hydro Investor Presentation.

Hi John,

Please review and consolidate comments.

Thanks,
Ron

Begin forwarded message:

> **From:** "Whitfield, Tobias P. (MOF)" <Tobias.Whitfield@ontario.ca>
> **Date:** January 3, 2018 at 3:46:58 PM EST
> **To:** "Kwan, Ronald (OFA)" <Ronald.Kwan@ofina.on.ca>, "Hanslep, Malle (MOF)" <Malle.Hanslep@ontario.ca>
> **Cc:** "Kandeepan, Ken (OFA)" <Ken.Kandeepan@ofina.on.ca>, "Manning, Mike (OFA)" <Mike.Manning@ofina.on.ca>
> **Subject: RE: Draft Fair Hydro Investor Presentation.**
>
> Ron,
>
> Please find attached our comments on the investor presentation deck. We have added our comments in track changes to the word document with the other comments.
>
> Mike and Ken, we are also wondering if you have heard anything new about the timing of the term deal and whether there are any documents that have been circulated that we can start to look at.
>
> Best
> Toby
>
> Tobias Whitfield

Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: January 3, 2018 2:28 AM
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF)
Subject: FW: Draft Fair Hydro Investor Presentation.

Hi Malle, Toby,

Apologies for the short notice, if you have not been looped in earlier. I got the attached from Energy yesterday. OPG is looking for comments ASAP. Would you be able to review and provide any comments for EOD Wednesday?

Also attached is Energy's comments on the deck, with a few preliminary additions added in red. Mike and Ken are also reviewing and said they'd provide comments on Wednesday.

Thanks, and a Happy New Year to you both.

Ron

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: January-02-18 11:39 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: Draft Fair Hydro Investor Presentation.

Hi Ron, here's the presentation. They're looking for comments this week.

Tim

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: December-21-17 5:33 PM
To: Christie, Tim (ENERGY)
Cc: Manning, Mike (OFA); Kandeepan, Ken (OFA); LAURETA LAPIRA May -TREASURY; LADAK

Lubna -TREASURY; RYFA Ken -TREASURY; Talwar, Shruti (ENERGY); HAHN PARKER Janet -TREASURY
Subject: Draft Fair Hydro Investor Presentation.

Tim:

As discussed attached is the most current draft of the Investor Presentation. If you or the MOE or OFA have any comments please let us know. The plan is to have another turn of the document in the 1st week in January. May will have the "pen" from our side.

Have a Merry Christmas.

John

John Lee | Vice President Treasurer |
Ontario Power Generation | 700 University Avenue, H18 A6, Toronto, Ontario M5G 1X6 |
416.592.6392 | john.s.lee@opg.com

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain

information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

Fair Hydro Investor Presentation Comments

Slide #	Reference	Comment
Disclaimers	Last par.	How will this presentation be used, and is it in conjunction with the offering memorandum? [MOF LSB]
Slide 4	Images	Consider removing the nuclear and large hydro images as the plan only covers costs from renewables procurements, gas and conservation. [MOF LSB: Can we confirm whether this is true?]
Slide 6	First bullet	Suggest using "proxy consumer" instead of "average" in this context, which would be more accurate and consistent with legislation as covered later in the presentation. [MOF LSB: Where is Proxy Consumer explained? I am not sure what it means.]
Slide 6	Second bullet	Suggest changing "8% rebate in the provincial portion…" to " 8% rebate equivalent to the provincial portion…".
Slide 6	Third bullet	Language suggest that bills will increase back to status quo in 2021 – suggest adding language regarding increases back up to and past the status quo over time.
Slide 7	First bullet	Consider replacing the phrase starting from "in an amount…" with "in such an amount that the total OPG-held subordinated debt does not exceed 49% of all outstanding debt", for clarity.
Slide 11	First bullet	Suggest rewording to the following: "As part of the restructuring of Ontario's electricity industry under the Energy Competition Act, 1998, the municipal electricity utilities became municipally-owned business corporations, including local distribution companies ("LDCs")." – Some LDCs continue to be municipally-owned, while others have been sold to or acquired by Hydro One or private-sector owners."
Slide 14	Second bullet	Consider replacing "previously established regulated rate" with "regulated rate established in the first year of the Rate Reduction Period".
Slide 14	Last bullet	Similar to comment on Slide 6 above, suggest referencing increases back up to and beyond status quo beyond the moratorium period~~over time~~.
Slide 15	Third bullet of Moratorium Period section	Consider adding in the words "in favour of the Trust" at the end of the bullet [IESO Security Agreement]. Also, the $2 billion credit facility is provided by the Ontario Financing Authority, not the OEFC.~~Also, can we clarify whether the $2 billion credit facility is provided by the OFA or the OEFC? Who is the actual lender?~~
Slide 15	Last bullet	Also, consider rewording so as not to suggest that the $2 billion facility is solely for "carrying costs". Also, suggest that the last clause on security be a stand-alone bullet, not part of the OFA credit facility bullet, and should come before

Formatted: Font color: Red

Formatted: Font color: Red

Formatted: Font color: Red

Formatted: Font color: Red

Formatted: Font color: Red

Formatted: Font color: Red

		the other part of this bullet (ie, become the third bullet of this section).
Slide 16	Second bullet	Consider rephrasing to align better with the offering memorandum and legislation.
Slide 16	Third bullet	Consider adding in the word "mainly" before "in respect of …" [see O.Reg. 206/17 section 5]. [MOF LSB: This is a defined term in the Act.]
Slide 16	Bill image	Consider removing as text description should be sufficient.
Slide 17	Second bullet	Consider replacing the words "dealt with" with "mitigated" to avoid suggesting that the risk is eliminated.
Slide 17	Number 2 in the process chart	Consider adding in the word "amount" at the end [O.Reg. 206/17 section 8(2)].
Slide 17	Number 6 in the process chart	Consider replacing the words "in a trust" with "in trust" [FHPA section 16(3)].
Slide 18	Chart	Consider adding explanation of readjustment amount.
Slide 20	Chart	Should the Province's indemnity to OPG [& IESO] be referred to here? Also consider whether Management Agreement should be included?
Slide 20	OEB's relationship with OPG in the diagram	Consider replacing "review of OPG Fees" with "review and approval of OPG Fees" to better align with the language in O. Reg. 206/17. Consider replacing "Management Agreement" with "Regulation".
Slide 20	IESO's relationship with the Fair Hydro Trust	Note that the Acknowledgement and Indemnity Agreement is made to the Indenture Trustee. Consider editing to avoid confusion.
Slide 20	Ontario Caption	Suggest just having "Province of Ontario" (i.e., omit "(Ministry of Energy)") [MOF LSB: Agree, as MOF is also signatory to some agreements.]
Slide 21	"Suspension Notice"	May wish to consider noting in the sentence that post-suspension refinancing is covered by the guarantee. As this was something Torys made a point of including in the agreement for financeability, suggest including for investors.

Below is a track changes on slides 21 and 22

Change of Law Protection Agreement	
Parties	• Province of Ontario ~~as Obligor~~ and (2) Indenture Trustee as trustee of the FHT, on behalf of Specified Creditors, ~~as Beneficiaries~~ and (3) OPG as Financial Services Manager ("FSM")
Purpose	• Provides assurance to Specified Creditors ~~investors~~ that upon the occurrence of a Protection Event, the Province of Ontario will ~~have an obligation to make~~ pay~~ments~~ Approved Obligations on behalf of the Trust.

Formatted: Font color: Red

Formatted: Font color: Red

Formatted: Font color: Red

Formatted: Font color: Red

Formatted: Font color: Red

Formatted: Font color: Red

Formatted: Font color: Red

Formatted: Font color: Red

	with [limited rights of acceleration][NTD: Consider how to phrase acceleration issue].
Key Terms	• Term: Continues for as long as any obligations of the Trust that are secured under the Master Trust Indenture (MTI) remain outstanding [MOF LSB: Only if such amounts are covered by the Limited Guarantee] • Mandatory Payment: Upon the occurrence of a Protection Event, the Indenture Trustee has the right to require the Province to pay all Approved ~~o~~Obligations when due and payable • Priority of Payments: The priority of payments is governed by the waterfall provision under the MTI • Adherence Conditions: OPG as FSM is required to comply with certain conditions, including the delivery of an Adherence Compliance Certificate, prior to the issuance of debt which is to benefit from Cchange in ~~l~~Law ~~p~~Protection Agreement from the Province • Suspension Notice: The Province may deliver a suspension notice upon the occurrence of a program breach, a default in performance, or misrepresentation by OPG as FSM, and any new funding ~~after which date~~ funding obligations that are incurred after the date of a suspension notice will not have the benefit of the Change of Law Protection, ~~upon the occurrence of a program breach, a default in performance, or misrepresentation by OPG as FSM~~ [MOF LSB: Should the pre-approved refinancing provisions be referred to here?]
Protection Events	The occurrence of any of the following events: • The Legislature repeals (and does not replace on an equivalent basis) or amends the FHP Act or any portion thereof as in effect on the date hereof • The Legislature enacts or amends any other statute • The Lieutenant Governor in Council repeals (and does not replace on an equivalent basis) the regulations made under the Act or any portion thereof as in effect on the date hereof • The Lieutenant Governor in Council, a minister of the Crown, an official of the government or a board or commission all the members of which are appointed by the Lieutenant Governor in Council makes or amends any "regulation" (as defined in Part III of the Legislation Act, 2006) as in effect on the date hereof • The implementation of a change in the organization or structure of the IESO or Ontario's electricity market undertaken at the initiative of the Province or an entity controlled by the Province • A court of competent jurisdiction determines that all or a portion of the Act or the regulations made under the Act, is ultra vires or invalid in a way that adversely affects the ability of the Trust to adversely affects the ability of the Financing Entity to receive amounts in respect of its Investment Interest so that it can pay Approved Obligations when due and payable~~pay its obligations~~ in each case that adversely affects the ability of the Trust to pay its obligations when due and payable, taking into account any funds available in reserve accounts, any credit enhancement available and any reasonably expected potential effect of a true-up amount

Formatted: Font color: Red

Formatted: Font color: Red

Formatted: Font color: Red

Formatted: Font color: Red

Formatted: Font color: Red

Formatted: Font color: Red

Formatted: Font color: Red

Formatted: Font color: Red

Slide 23	Key Terms – Moratorium Period (bullet 3)	Consider replacing "(until May 1, 2021)" to "(until April 30, 2021) and up to July 31, 2021" [see section 21(4) of FHPA and section 9.1 of O. Reg. 206/17]. Consider removing "which will be offered, as regulatory assets, for transfer to the Trust in a subsequent period", since this is not expressly provided in the MTSA [also see section 16 of O. Reg. 206/17].
Slide 28	Third bullet	Consider replacing "fit under the fair allocation curve" with "ensure reasonable alignment with fair allocation amounts". [see paragraph 1 of section 21(3) of FHPA].
Slide 31	Chart	The post-FHP bill should not follow the status quo trajectory between 2025 and 2028 – bill should be above status quo including rebates as the FAA is positive for those years (Fair Adjustment would be used to offset the majority of the CEA but the amount of the FAA would remain).
Slide 33	Acceleration Bullet	Should this reference cap in regulation? [MOF LSB]
Slide 36	First bullet	Consider removing references to "statutorily mandated". Remittances from IESO are mandated under s. 9.1 of O. Reg. 206/17.
Slide 36	Guarantor	Should this refer to a limited guarantee to make relationship clear? [MOF LSB]
Slide 38	Political Risk	Consider reviewing the characterization of the risk to align with the risk as described in the Agreements.
Slide 38	Third bullet	Please note reference to ability to disconnect service for non-payment by LDCs isn't fully reflective of the requirement, consider revising to be more reflective of the actual mechanism.

Formatted: Font color: Red

Formatted: Font color: Red

Formatted: Font color: Red

Formatted: Font color: Red

From: John Kim
To: Ronald Kwan
Subject: RE: Draft Fair Hydro Investor Presentation.
Date: Wednesday, January 03, 2018 4:56:23 PM

Hi Ron,

This will take a bit more time….as some comments/questions from LSB, we don't have immediate answers to.

Thanks,

John

From: Ronald Kwan
Sent: Wednesday, January 03, 2018 4:00 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Fwd: Draft Fair Hydro Investor Presentation.

Hi John,

Please review and consolidate comments.

Thanks,
Ron

Begin forwarded message:

> **From:** "Whitfield, Tobias P. (MOF)" <Tobias.Whitfield@ontario.ca>
> **Date:** January 3, 2018 at 3:46:58 PM EST
> **To:** "Kwan, Ronald (OFA)" <Ronald.Kwan@ofina.on.ca>, "Hanslep, Malle (MOF)" <Malle.Hanslep@ontario.ca>
> **Cc:** "Kandeepan, Ken (OFA)" <Ken.Kandeepan@ofina.on.ca>, "Manning, Mike (OFA)" <Mike.Manning@ofina.on.ca>
> **Subject: RE: Draft Fair Hydro Investor Presentation.**
>
> Ron,
>
> Please find attached our comments on the investor presentation deck. We have added our comments in track changes to the word document with the other comments.
>
> Mike and Ken, we are also wondering if you have heard anything new about the timing of the term deal and whether there are any documents that have been circulated that we can start to look at.
>
> Best
> Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: January 3, 2018 2:28 AM
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF)
Subject: FW: Draft Fair Hydro Investor Presentation.

Hi Malle, Toby,

Apologies for the short notice, if you have not been looped in earlier. I got the attached from Energy yesterday. OPG is looking for comments ASAP. Would you be able to review and provide any comments for EOD Wednesday?

Also attached is Energy's comments on the deck, with a few preliminary additions added in red. Mike and Ken are also reviewing and said they'd provide comments on Wednesday.

Thanks, and a Happy New Year to you both.

Ron

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: January-02-18 11:39 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: Draft Fair Hydro Investor Presentation.

Hi Ron, here's the presentation. They're looking for comments this week.

Tim

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: December-21-17 5:33 PM
To: Christie, Tim (ENERGY)
Cc: Manning, Mike (OFA); Kandeepan, Ken (OFA); LAURETA LAPIRA May -TREASURY; LADAK Lubna -TREASURY; RYFA Ken -TREASURY; Talwar, Shruti (ENERGY); HAHN PARKER Janet -TREASURY
Subject: Draft Fair Hydro Investor Presentation.

Tim:

As discussed attached is the most current draft of the Investor Presentation. If you or the MOE or OFA have any comments please let us know.

st

The plan is to have another turn of the document in the 1 week in January. May will have the "pen" from our side.

Have a Merry Christmas.

John

John Lee | Vice President Treasurer |
Ontario Power Generation | 700 University Avenue, H18 A6, Toronto, Ontario M5G 1X6 | 416.592.6392 | john.s.lee@opg.com

---

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	John Kim
To:	Gavin He
Subject:	RE: Draft Fair Hydro Investor Presentation.
Date:	Wednesday, January 03, 2018 4:23:06 PM

Could we do a file compare and make it all attribute to MOF LSB the delta from our v07Clean? I realize in hindsight….

From: Gavin He
Sent: Wednesday, January 03, 2018 4:22 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: Draft Fair Hydro Investor Presentation.

Hi John,

Here's the consolidated version.

Regards,
Gavin He

From: John Kim
Sent: Wednesday, January 03, 2018 4:16 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: Draft Fair Hydro Investor Presentation.

Hi Gavin,

Could you consolidate to this version? I will come by and explain

Thanks,

John

From: Ronald Kwan
Sent: Wednesday, January 03, 2018 4:00 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Fwd: Draft Fair Hydro Investor Presentation.

Hi John,

Please review and consolidate comments.

Thanks,
Ron

Begin forwarded message:

From: "Whitfield, Tobias P. (MOF)" <Tobias.Whitfield@ontario.ca>
Date: January 3, 2018 at 3:46:58 PM EST
To: "Kwan, Ronald (OFA)" <Ronald.Kwan@ofina.on.ca>, "Hanslep, Malle (MOF)" <Malle.Hanslep@ontario.ca>
Cc: "Kandeepan, Ken (OFA)" <Ken.Kandeepan@ofina.on.ca>, "Manning, Mike (OFA)" <Mike.Manning@ofina.on.ca>
Subject: RE: Draft Fair Hydro Investor Presentation.

Ron,

Please find attached our comments on the investor presentation deck. We have added our comments in track changes to the word document with the other comments.

Mike and Ken, we are also wondering if you have heard anything new about the timing of the term deal and whether there are any documents that have been circulated that we can start to look at.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: January 3, 2018 2:28 AM
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF)
Subject: FW: Draft Fair Hydro Investor Presentation.

Hi Malle, Toby,

Apologies for the short notice, if you have not been looped in earlier. I got the attached from Energy yesterday. OPG is looking for comments ASAP. Would you be able to review and provide any comments for EOD Wednesday?

Also attached is Energy's comments on the deck, with a few preliminary additions added in red. Mike and Ken are also reviewing and said they'd provide comments on Wednesday.

Thanks, and a Happy New Year to you both.

Ron

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]

Sent: January-02-18 11:39 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: Draft Fair Hydro Investor Presentation.

Hi Ron, here's the presentation. They're looking for comments this week.

Tim

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: December-21-17 5:33 PM
To: Christie, Tim (ENERGY)
Cc: Manning, Mike (OFA); Kandeepan, Ken (OFA); LAURETA LAPIRA May -TREASURY; LADAK Lubna -TREASURY; RYFA Ken -TREASURY; Talwar, Shruti (ENERGY); HAHN PARKER Janet -TREASURY
Subject: Draft Fair Hydro Investor Presentation.

Tim:

As discussed attached is the most current draft of the Investor Presentation. If you or the MOE or OFA have any comments please let us know.

The plan is to have another turn of the document in the 1st week in January. May will have the "pen" from our side.

Have a Merry Christmas.

John

John Lee | Vice President Treasurer |
Ontario Power Generation | 700 University Avenue, H18 A6, Toronto, Ontario M5G 1X6 | 416.592.6392 | john.s.lee@opg.com

---

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	John Kim
To:	"LEE John -TREASURY"; "LAURETA LAPIRA May -FIN & C CTRL"; "lubna.ladak@opg.com"; "RYFA Ken -TREASURY"; "Talwar, Shruti (ENERGY)"; "j.hahnparker@opg.com"; Tim Christie (ENERGY); Mike Manning; Ken Kandeepan
Cc:	Ronald Kwan
Subject:	RE: Draft Fair Hydro Investor Presentation.
Date:	Wednesday, January 03, 2018 3:15:34 PM
Attachments:	Fair Hydro Investor Presentation Comments - ENERGY - 20171229_Additions_v07Clean.docx

Sorry, forgot to copy Ron….must be the jetlag from my recent trip.

From: John Kim
Sent: Wednesday, January 03, 2018 2:44 PM
To: LEE John -TREASURY <john.s.lee@opg.com>; 'LAURETA LAPIRA May -FIN & C CTRL' <may.lapira@opg.com>; 'lubna.ladak@opg.com' <lubna.ladak@opg.com>; 'RYFA Ken -TREASURY' <ken.ryfa@opg.com>; 'Talwar, Shruti (ENERGY)' <Shruti.Talwar@ontario.ca>; 'j.hahnparker@opg.com' <j.hahnparker@opg.com>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: FW: Draft Fair Hydro Investor Presentation.

Hi,

Pls. see attached with our suggested comment additions in red. We are still waiting for comments from MOF Legal, if any.

Thanks,

John

Begin forwarded message:

> **From:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Date:** January 3, 2018 at 10:25:21 AM EST
> **To:** John LEE <john.s.lee@opg.com>
> **Cc:** Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>, LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>, LADAK Lubna -TREASURY <lubna.ladak@opg.com>, RYFA Ken -TREASURY <ken.ryfa@opg.com>, "Shruti.Talwar@ontario.ca" <Shruti.Talwar@ontario.ca>, HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>, "Tim Christie (ENERGY)" <Tim.Christie@ontario.ca>, Mike Manning <Mike.Manning@ofina.on.ca>
> **Subject: Re: Draft Fair Hydro Investor Presentation.**
>
> Hi,
>
> And we'll have a couple comments as well, and we looped in MOF Legal to take a quick look too.

Thanks,
Ron

On Jan 3, 2018, at 10:15 AM, Mike Manning <Mike.Manning@ofina.on.ca> wrote:

> Hi John:
> I think Ken caught the main issues on my side as well.
>
> Mike
>
> ---
>
> **From:** Ken Kandeepan
> **Sent:** Wednesday, January 03, 2018 10:00 AM
> **To:** 'LEE John -TREASURY' <john.s.lee@opg.com>
> **Cc:** Mike Manning <Mike.Manning@ofina.on.ca>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Shruti.Talwar@ontario.ca; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Subject:** RE: Draft Fair Hydro Investor Presentation.
>
> Hi John
>
> Happy new year, hope you had a few days off. Pls see some minor comments, I have limited my review to the Province's role in the OFHP. Mike may have others.
>
> - Page 15 – last bullet; the $2 billion credit facility has been extended from the OFA, not the OEFC
> - Page 25 - Change of law Process Agreement; I would add that the PAM is set and updated by the Financing Plan.
>
> Thanks
>
> Ken k
>
> ---
>
> **From:** LEE John -TREASURY [mailto:john.s.lee@opg.com]
> **Sent:** Thursday, December 21, 2017 5:33 PM
> **To:** Tim Christie (ENERGY) <Tim.Christie@ontario.ca>
> **Cc:** Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Shruti.Talwar@ontario.ca; HAHN PARKER Janet -TREASURY

<j.hahnparker@opg.com>
Subject: Draft Fair Hydro Investor Presentation.

Tim:

As discussed attached is the most current draft of the Investor Presentation. If you or the MOE or OFA have any comments please let us know.

The plan is to have another turn of the document in the 1st week in January. May will have the "pen" from our side.

Have a Merry Christmas.

John

John Lee | Vice President Treasurer |
Ontario Power Generation | 700 University Avenue, H18 A6, Toronto, Ontario M5G 1X6 |
416.592.6392 | john.s.lee@opg.com

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

Fair Hydro Investor Presentation Comments

Slide #	Reference	Comment
Slide 4	Images	Consider removing the nuclear and large hydro images as the plan only covers costs form renewables procurements, gas and conservation.
Slide 6	First bullet	Suggest using "proxy consumer" instead of "average" in this context, which would be more accurate and consistent with legislation as covered later in the presentation.
Slide 6	Second bullet	Suggest changing "8% rebate in the provincial portion…" to " 8% rebate equivalent to the provincial portion…".
Slide 6	Third bullet	Language suggest that bills will increase back to status quo in 2021 – suggest adding language regarding increases back up to and past the status quo over time.
Slide 7	First bullet	Consider replacing the phrase starting from "in an amount…" with "in such an amount that the total OPG-held subordinated debt does not exceed 49% of all outstanding debt", for clarity.
Slide 11	First bullet	Suggest rewording to the following: "As part of the restructuring of Ontario's electricity industry under the Energy Competition Act, 1998, the municipal electricity utilities became municipally-owned business corporations, including local distribution companies ("LDCs")." – Some LDCs continue to be municipally-owned, while others have been sold to or acquired by Hydro One or private-sector owners."
Slide 14	Second bullet	Consider replacing "previously established regulated rate" with "regulated rate established in the first year of the Rate Reduction Period".
Slide 14	Last bullet	Similar to comment on Slide 6 above, suggest referencing increases back up to and beyond status quo over time.
Slide 15	Third bullet	Consider adding in the words "in favour of the Trust" at the end of the bullet [IESO Security Agreement]. Also, the $2 billion credit facility is provided by the Ontario Financing Authority, not the OEFC.
Slide 15	Last bullet	Also, consider rewording so as not to suggest that the $2 billion facility is solely for "carrying costs". Also, suggest that the last clause on security be a stand-alone bullet, not part of the OFA credit facility bullet.
Slide 16	Second bullet	Consider rephrasing to align better with the offering memorandum and legislation.
Slide 16	Third bullet	Consider adding in the word "mainly" before "in respect of …" [see O.Reg. 206/17 section 5].
Slide 16	Bill image	Consider removing as text description should be sufficient.
Slide 17	Second bullet	Consider replacing the words "dealt with" with "mitigated" to avoid suggesting that the risk is eliminated.

Slide 17	Number 2 in the process chart	Consider adding in the word “amount” at the end [O.Reg. 206/17 section 8(2)].
Slide 17	Number 6 in the process chart	Consider replacing the words “in a trust” with “in trust” [FHPA section 16(3)].
Slide 18	Chart	Consider adding explanation of readjustment amount.
Slide 20	OEB’s relationship with OPG in the diagram	Consider replacing “review of OPG Fees” with “review and approval of OPG Fees” to better align with the language in O. Reg. 206/17. Consider replacing “Management Agreement” with “Regulation”.
Slide 20	IESO’s relationship with the Fair Hydro Trust	Note that the Acknowledgement and Indemnity Agreement is made to the Indenture Trustee. Consider editing to avoid confusion.
Slide 20	Ontario Caption	Suggest just having “Province of Ontario” (i.e., omit “(Ministry of Energy)”)
Slide 21	"Suspension Notice"	May wish to consider noting in the sentence that post-suspension refinancing is covered by the guarantee. As this was something Torys made a point of including in the agreement for financeability, suggest including for investors.
Slide 23	Key Terms – Moratorium Period (bullet 3)	Consider replacing “(until May 1, 2021)” to “(until April 30, 2021) and up to July 31, 2021” [see section 21(4) of FHPA and section 9.1 of O. Reg. 206/17]. Consider removing “which will be offered, as regulatory assets, for transfer to the Trust in a subsequent period”, since this is not expressly provided in the MTSA [also see section 16 of O. Reg. 206/17].
Slide 28	Third bullet	Consider replacing “fit under the fair allocation curve” with “ensure reasonable alignment with fair allocation amounts”. [see paragraph 1 of section 21(3) of FHPA].
Slide 31	Chart	The post-FHP bill should not follow the status quo trajectory between 2025 and 2028 – bill should be above status quo including rebates as the FAA is positive for those years (Fair Adjustment would be used to offset the majority of the CEA but the amount of the FAA would remain).
Slide 36	First bullet	Consider removing references to “statutorily mandated”. Remittances from IESO are mandated under s. 9.1 of O. Reg. 206/17.
Slide 38	Political Risk	Consider reviewing the characterization of the risk to align with the risk as described in the Agreements.
Slide 38	Third bullet	Please note reference to ability to disconnect service for non-payment by LDCs isn’t fully reflective of the requirement, consider revising to be more reflective of the actual mechanism.

From: John Kim
To: Ronald Kwan
Subject: RE: Draft Fair Hydro Investor Presentation.
Date: Wednesday, January 03, 2018 3:11:59 PM

Hi Ron,

Maybe I'm missing something….but the only comment related to slide 7 is the one Tim put together??? I don't have anything on slide 9? Are you looking at v07Clean?

Thanks,

John

From: Ronald Kwan
Sent: Wednesday, January 03, 2018 3:10 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: Draft Fair Hydro Investor Presentation.

Hi,

I thought we were omitting the comments on slides 7 and 9?

On Jan 3, 2018, at 2:39 PM, John Kim <John.Kim@ofina.on.ca> wrote:

> Sure thing….will send right away. So just turn the greed to red from the last version.
>
> ---
>
> **From:** Ronald Kwan
> **Sent:** Wednesday, January 03, 2018 2:27 PM
> **To:** John Kim <John.Kim@ofina.on.ca>
> **Subject:** Fwd: Draft Fair Hydro Investor Presentation.
>
> Hi John,
>
> FYI. And would you respond to all, with our suggested comment additions in red attached, noting that we are still waiting for any comments from MOF Legal.
>
> Thanks,
> Ron
>
> Begin forwarded message:
>
> > **From:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> > **Date:** January 3, 2018 at 10:25:21 AM EST
> > **To:** John LEE <john.s.lee@opg.com>
> > **Cc:** Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>, LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>, LADAK

Lubna -TREASURY <lubna.ladak@opg.com>, RYFA Ken - TREASURY <ken.ryfa@opg.com>, "Shruti.Talwar@ontario.ca" <Shruti.Talwar@ontario.ca>, HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>, "Tim Christie (ENERGY)" <Tim.Christie@ontario.ca>, Mike Manning <Mike.Manning@ofina.on.ca>
Subject: Re: Draft Fair Hydro Investor Presentation.

Hi,

And we'll have a couple comments as well, and we looped in MOF Legal to take a quick look too.

Thanks,
Ron

On Jan 3, 2018, at 10:15 AM, Mike Manning <Mike.Manning@ofina.on.ca> wrote:

> Hi John:
> I think Ken caught the main issues on my side as well.
>
> Mike
>
> ---
>
> **From:** Ken Kandeepan
> **Sent:** Wednesday, January 03, 2018 10:00 AM
> **To:** 'LEE John -TREASURY' <john.s.lee@opg.com>
> **Cc:** Mike Manning <Mike.Manning@ofina.on.ca>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; RYFA Ken - TREASURY <ken.ryfa@opg.com>; Shruti.Talwar@ontario.ca; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Subject:** RE: Draft Fair Hydro Investor Presentation.
>
> Hi John
>
> Happy new year, hope you had a few days off. Pls see some minor comments, I have limited my review to the Province's role in the OFHP. Mike may have others.
>
> - Page 15 – last bullet; the $2 billion credit facility has been extended from the OFA, not the OEFC
> - Page 25 - Change of law Process Agreement; I would add that the PAM is set and updated by the Financing Plan.

Thanks

Ken k

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: Thursday, December 21, 2017 5:33 PM
To: Tim Christie (ENERGY) <Tim.Christie@ontario.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Shruti.Talwar@ontario.ca; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>
Subject: Draft Fair Hydro Investor Presentation.

Tim:

As discussed attached is the most current draft of the Investor Presentation. If you or the MOE or OFA have any comments please let us know.

The plan is to have another turn of the document in the 1st week in January. May will have the "pen" from our side.

Have a Merry Christmas.

John

John Lee | Vice President Treasurer |
Ontario Power Generation | 700 University Avenue, H18 A6, Toronto, Ontario M5G 1X6 |
416.592.6392 | john.s.lee@opg.com

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this

communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

From: John Kim
To: Ronald Kwan
Subject: RE: Draft Fair Hydro Investor Presentation.
Date: Wednesday, January 03, 2018 2:39:20 PM

Sure thing….will send right away. So just turn the greed to red from the last version.

From: Ronald Kwan
Sent: Wednesday, January 03, 2018 2:27 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Fwd: Draft Fair Hydro Investor Presentation.

Hi John,

FYI. And would you respond to all, with our suggested comment additions in red attached, noting that we are still waiting for any comments from MOF Legal.

Thanks,
Ron

Begin forwarded message:

> **From:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Date:** January 3, 2018 at 10:25:21 AM EST
> **To:** John LEE <john.s.lee@opg.com>
> **Cc:** Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>, LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>, LADAK Lubna -TREASURY <lubna.ladak@opg.com>, RYFA Ken -TREASURY <ken.ryfa@opg.com>, "Shruti.Talwar@ontario.ca" <Shruti.Talwar@ontario.ca>, HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>, "Tim Christie (ENERGY)" <Tim.Christie@ontario.ca>, Mike Manning <Mike.Manning@ofina.on.ca>
> **Subject: Re: Draft Fair Hydro Investor Presentation.**
>
> Hi,
>
> And we'll have a couple comments as well, and we looped in MOF Legal to take a quick look too.
>
> Thanks,
> Ron
>
> On Jan 3, 2018, at 10:15 AM, Mike Manning <Mike.Manning@ofina.on.ca> wrote:
>
> > Hi John:
> > I think Ken caught the main issues on my side as well.
> >
> > Mike

From: Ken Kandeepan
Sent: Wednesday, January 03, 2018 10:00 AM
To: 'LEE John -TREASURY' <john.s.lee@opg.com>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Shruti.Talwar@ontario.ca; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: Draft Fair Hydro Investor Presentation.

Hi John

Happy new year, hope you had a few days off. Pls see some minor comments, I have limited my review to the Province's role in the OFHP. Mike may have others.

- Page 15 – last bullet; the $2 billion credit facility has been extended from the OFA, not the OEFC
- Page 25 - Change of law Process Agreement; I would add that the PAM is set and updated by the Financing Plan.

Thanks

Ken k

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: Thursday, December 21, 2017 5:33 PM
To: Tim Christie (ENERGY) <Tim.Christie@ontario.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Shruti.Talwar@ontario.ca; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>
Subject: Draft Fair Hydro Investor Presentation.

Tim:

As discussed attached is the most current draft of the Investor Presentation. If you or the MOE or OFA have any comments please let us know.
The plan is to have another turn of the document in the 1st week in

January. May will have the “pen” from our side.

Have a Merry Christmas.

John

John Lee | Vice President Treasurer |
Ontario Power Generation | 700 University Avenue, H18 A6, Toronto, Ontario M5G 1X6 |
416.592.6392 | john.s.lee@opg.com

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

From:	John Kim
To:	Ronald Kwan
Cc:	Bruno Amara; Shajee Kathirgamanathan; Gavin He
Subject:	RE: Draft Fair Hydro Investor Presentation.
Date:	Wednesday, January 03, 2018 1:14:41 PM
Attachments:	Fair Hydro Investor Presentation Comments - ENERGY - 20171229_Additions_v06Clean.docx

Thanks Ron. You're right on both.

John

From: Ronald Kwan
Sent: Wednesday, January 03, 2018 12:49 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: Draft Fair Hydro Investor Presentation.

Hi John,

I think having Ministry of Energy in the diagrams on slides 7&9 is ok, given the context is different. For the Protection Agreement, the Minister of Finance is also a signatory and provides it as provided for under the ACT and OIC. That's different than the equity injection and oversight role over the agencies and representative of the shareholder roles on the slides 7&9.

Technically, isn't OPG buying the right to the future recovery from specified ratepayers, not a regulatory asset? The regulatory asset is what the IESO can record on its books, which is under its accounting standards. OPG does not acquire the regulatory asset. On buying the right to recovery or those future cash flows, it records that as an investment asset.

Ron

On Jan 3, 2018, at 11:56 AM, John Kim <John.Kim@ofina.on.ca> wrote:

> Hi Ron,
>
> Pls. see attached.
>
> Thanks,
>
> John
>
> ---
>
> **From:** Bruno Amara
> **Sent:** Wednesday, January 03, 2018 10:18 AM
> **To:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
> **Subject:** RE: Draft Fair Hydro Investor Presentation.

Yep, thanks. We added that comment. We will send back soon.

Bruno

From: Ronald Kwan
Sent: Wednesday, January 03, 2018 10:02 AM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: Re: Draft Fair Hydro Investor Presentation.

Oops. That's an OFA facility, of course, not OEFC.

Ron

On Jan 3, 2018, at 7:00 AM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Hi,
>
> I had a quick look and added a bit to Energy's table as a start.
>
> Ron
>
> ---
>
> **From:** Ronald Kwan
> **Sent:** January-02-18 11:18 PM
> **To:** John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
> **Subject:** FW: Draft Fair Hydro Investor Presentation.
>
> Hi,
>
> FYI on Energy's comments.
>
> Ron
>
> ---
>
> **From:** Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
> **Sent:** January-02-18 3:39 PM
> **To:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Subject:** FW: Draft Fair Hydro Investor Presentation.
>
> Ron, here are the comments we have sent on the presentation. Do you know when/if Finance will be sending theirs? OPG was asking.
>
> Tim
>
> ---
>
> **From:** Christie, Tim (ENERGY)
> **Sent:** January-02-18 3:39 PM
> **To:** 'LEE John -TREASURY'

Cc: Cayley, Daniel (ENERGY); 'LAURETA LAPIRA May -TREASURY'
Subject: RE: Draft Fair Hydro Investor Presentation.

With the attachment.

From: Christie, Tim (ENERGY)
Sent: January-02-18 3:38 PM
To: 'LEE John -TREASURY'
Cc: Cayley, Daniel (ENERGY); LAURETA LAPIRA May -TREASURY
Subject: RE: Draft Fair Hydro Investor Presentation.

John, here are the comments on the investor presentation.

Tim

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: December-21-17 5:33 PM
To: Christie, Tim (ENERGY)
Cc: Manning, Mike (OFA); Kandeepan, Ken (OFA); LAURETA LAPIRA May -TREASURY; LADAK Lubna -TREASURY; RYFA Ken -TREASURY; Talwar, Shruti (ENERGY); HAHN PARKER Janet -TREASURY
Subject: Draft Fair Hydro Investor Presentation.

Tim:

As discussed attached is the most current draft of the Investor Presentation. If you or the MOE or OFA have any comments please let us know.

The plan is to have another turn of the document in the 1st week in January. May will have the "pen" from our side.

Have a Merry Christmas.

John

John Lee | Vice President Treasurer |
Ontario Power Generation | 700 University Avenue, H18 A6, Toronto, Ontario M5G 1X6 |
416.592.6392 | john.s.lee@opg.com

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended

recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

<Fair Hydro Investor Presentation Comments - ENERGY - 20171229_Additions.docx>

<Fair Hydro Investor Presentation Comments - ENERGY - 20171229_Additions_v05Clean.docx>

Fair Hydro Investor Presentation Comments

Slide #	Reference	Comment
Slide 4	Images	Consider removing the nuclear and large hydro images as the plan only covers costs form renewables procurements, gas and conservation.
Slide 6	First bullet	Suggest using "proxy consumer" instead of "average" in this context, which would be more accurate and consistent with legislation as covered later in the presentation.
Slide 6	Second bullet	Suggest changing "8% rebate in the provincial portion…" to " 8% rebate equivalent to the provincial portion…".
Slide 6	Third bullet	Language suggest that bills will increase back to status quo in 2021 – suggest adding language regarding increases back up to and past the status quo over time.
Slide 7	First bullet	Consider replacing the phrase starting from "in an amount…" with "in such an amount that the total OPG-held subordinated debt does not exceed 49% of all outstanding debt", for clarity.
Slide 11	First bullet	Suggest rewording to the following: "As part of the restructuring of Ontario's electricity industry under the Energy Competition Act, 1998, the municipal electricity utilities became municipally-owned business corporations, including local distribution companies ("LDCs")." – Some LDCs continue to be municipally-owned, while others have been sold to or acquired by Hydro One or private-sector owners."
Slide 14	Second bullet	Consider replacing "previously established regulated rate" with "regulated rate established in the first year of the Rate Reduction Period".
Slide 14	Last bullet	Similar to comment on Slide 6 above, suggest referencing increases back up to and beyond status quo over time.
Slide 15	Third bullet	Consider adding in the words "in favour of the Trust" at the end of the bullet [IESO Security Agreement]. Also, the $2 billion credit facility is provided by the Ontario Financing Authority, not the OEFC.
Slide 15	Last bullet	Also, consider rewording so as not to suggest that the $2 billion facility is solely for "carrying costs". Also, suggest that the last clause on security be a stand-alone bullet, not part of the OFA credit facility bullet.
Slide 16	Second bullet	Consider rephrasing to align better with the offering memorandum and legislation.
Slide 16	Third bullet	Consider adding in the word "mainly" before "in respect of …" [see O.Reg. 206/17 section 5].
Slide 16	Bill image	Consider removing as text description should be sufficient.
Slide 17	Second bullet	Consider replacing the words "dealt with" with "mitigated" to avoid suggesting that the risk is eliminated.

Slide 17	Number 2 in the process chart	Consider adding in the word “amount” at the end [O.Reg. 206/17 section 8(2)].
Slide 17	Number 6 in the process chart	Consider replacing the words “in a trust” with “in trust” [FHPA section 16(3)].
Slide 18	Chart	Consider adding explanation of readjustment amount.
Slide 20	OEB’s relationship with OPG in the diagram	Consider replacing “review of OPG Fees” with “review and approval of OPG Fees” to better align with the language in O. Reg. 206/17. Consider replacing “Management Agreement” with “Regulation”.
Slide 20	IESO’s relationship with the Fair Hydro Trust	Note that the Acknowledgement and Indemnity Agreement is made to the Indenture Trustee. Consider editing to avoid confusion.
Slide 20	Ontario Caption	Suggest just having “Province of Ontario” (i.e., omit “(Ministry of Energy)”)
Slide 21	"Suspension Notice"	May wish to consider noting in the sentence that post-suspension refinancing is covered by the guarantee. As this was something Torys made a point of including in the agreement for financeability, suggest including for investors.
Slide 23	Key Terms – Moratorium Period (bullet 3)	Consider replacing “(until May 1, 2021)” to “(until April 30, 2021) and up to July 31, 2021” [see section 21(4) of FHPA and section 9.1 of O. Reg. 206/17]. Consider removing “which will be offered, as regulatory assets, for transfer to the Trust in a subsequent period”, since this is not expressly provided in the MTSA [also see section 16 of O. Reg. 206/17].
Slide 28	Third bullet	Consider replacing “fit under the fair allocation curve” with “ensure reasonable alignment with fair allocation amounts”. [see paragraph 1 of section 21(3) of FHPA].
Slide 31	Chart	The post-FHP bill should not follow the status quo trajectory between 2025 and 2028 – bill should be above status quo including rebates as the FAA is positive for those years (Fair Adjustment would be used to offset the majority of the CEA but the amount of the FAA would remain).
Slide 36	First bullet	Consider removing references to “statutorily mandated”. Remittances from IESO are mandated under s. 9.1 of O. Reg. 206/17.
Slide 38	Political Risk	Consider reviewing the characterization of the risk to align with the risk as described in the Agreements.
Slide 38	Third bullet	Please note reference to ability to disconnect service for non-payment by LDCs isn’t fully reflective of the requirement, consider revising to be more reflective of the actual mechanism.

From: John Kim
To: "Talwar, Shruti (ENERGY)"
Cc: Sud, Manu (ENERGY); Graham Young (MOI); Thouin, Alena (ENERGY)
Subject: RE: Draft Fair Hydro Investor Presentation.
Date: Thursday, January 04, 2018 7:25:01 AM

Sure, np. Enjoy your travels.

John

-----Original Message-----
From: Talwar, Shruti (ENERGY) [mailto:Shruti.Talwar@ontario.ca]
Sent: Wednesday, January 03, 2018 9:14 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Sud, Manu (ENERGY) <Manu.Sud@ontario.ca>; Graham Young (MOI) <Graham.Young@ontario.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>
Subject: Re: Draft Fair Hydro Investor Presentation.

Sorry, it should be addressed to John. Thank you.

Sent from my iPhone

On Jan 4, 2018, at 7:43 AM, Talwar, Shruti (ENERGY) <Shruti.Talwar@ontario.ca<mailto:Shruti.Talwar@ontario.ca>> wrote:

Hi Alena

I'm out of the country. As per my away msg, can you make sure my team Manu and Graham get these messages in my absence. I'm also cc'ing Alena, our LSB contact. Thank you

Shruti

Sent from my iPhone

On Jan 4, 2018, at 5:43 AM, John Kim <John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:

Attached is with MOF LSB comments consolidated.

From: John Kim
Sent: January-03-18 3:16 PM
To: 'LEE John -TREASURY' <john.s.lee@opg.com<mailto:john.s.lee@opg.com>>; 'LAURETA LAPIRA May - FIN & C CTRL' <may.lapira@opg.com<mailto:may.lapira@opg.com>>; 'lubna.ladak@opg.com<mailto:lubna.ladak@opg.com>' <lubna.ladak@opg.com<mailto:lubna.ladak@opg.com>>; 'RYFA Ken -TREASURY' <ken.ryfa@opg.com<mailto:ken.ryfa@opg.com>>; 'Talwar, Shruti (ENERGY)' <Shruti.Talwar@ontario.ca<mailto:Shruti.Talwar@ontario.ca>>; 'j.hahnparker@opg.com<mailto:j.hahnparker@opg.com>' <j.hahnparker@opg.com<mailto:j.hahnparker@opg.com>>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca<mailto:Tim.Christie@ontario.ca>>; Mike Manning <Mike.Manning@ofina.on.ca<mailto:Mike.Manning@ofina.on.ca>>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca<mailto:Ken.Kandeepan@ofina.on.ca>>
Cc: Ronald Kwan <Ronald.Kwan@ofina.on.ca<mailto:Ronald.Kwan@ofina.on.ca>>
Subject: RE: Draft Fair Hydro Investor Presentation.

Sorry, forgot to copy Ron….must be the jetlag from my recent trip.

From: John Kim
Sent: Wednesday, January 03, 2018 2:44 PM
To: LEE John -TREASURY <john.s.lee@opg.com<mailto:john.s.lee@opg.com>>; 'LAURETA LAPIRA May - FIN & C CTRL' <may.lapira@opg.com<mailto:may.lapira@opg.com>>; 'lubna.ladak@opg.com<mailto:lubna.ladak@opg.com>' <lubna.ladak@opg.com<mailto:lubna.ladak@opg.com>>; 'RYFA Ken -TREASURY' <ken.ryfa@opg.com<mailto:ken.ryfa@opg.com>>; 'Talwar, Shruti (ENERGY)' <Shruti.Talwar@ontario.ca<mailto:Shruti.Talwar@ontario.ca>>; 'j.hahnparker@opg.com<mailto:j.hahnparker@opg.com>' <j.hahnparker@opg.com<mailto:j.hahnparker@opg.com>>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca<mailto:Tim.Christie@ontario.ca>>; Mike Manning <Mike.Manning@ofina.on.ca<mailto:Mike.Manning@ofina.on.ca>>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca<mailto:Ken.Kandeepan@ofina.on.ca>>
Subject: FW: Draft Fair Hydro Investor Presentation.

Hi,

Pls. see attached with our suggested comment additions in red. We are still waiting for comments from MOF Legal, if any.

Thanks,

John

Begin forwarded message:
From: Ronald Kwan <Ronald.Kwan@ofina.on.ca<mailto:Ronald.Kwan@ofina.on.ca>>
Date: January 3, 2018 at 10:25:21 AM EST
To: John LEE <john.s.lee@opg.com<mailto:john.s.lee@opg.com>>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca<mailto:Ken.Kandeepan@ofina.on.ca>>, LAURETA LAPIRA May -TREASURY <may.lapira@opg.com<mailto:may.lapira@opg.com>>, LADAK Lubna -TREASURY <lubna.ladak@opg.com<mailto:lubna.ladak@opg.com>>, RYFA Ken -TREASURY <ken.ryfa@opg.com<mailto:ken.ryfa@opg.com>>, "Shruti.Talwar@ontario.ca<mailto:Shruti.Talwar@ontario.ca>" <Shruti.Talwar@ontario.ca<mailto:Shruti.Talwar@ontario.ca>>, HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com<mailto:j.hahnparker@opg.com>>, "Tim Christie (ENERGY)" <Tim.Christie@ontario.ca<mailto:Tim.Christie@ontario.ca>>, Mike Manning <Mike.Manning@ofina.on.ca<mailto:Mike.Manning@ofina.on.ca>>
Subject: Re: Draft Fair Hydro Investor Presentation.
Hi,

And we'll have a couple comments as well, and we looped in MOF Legal to take a quick look too.

Thanks,
Ron

On Jan 3, 2018, at 10:15 AM, Mike Manning <Mike.Manning@ofina.on.ca<mailto:Mike.Manning@ofina.on.ca>> wrote:
Hi John:
I think Ken caught the main issues on my side as well.

Mike

From: Ken Kandeepan
Sent: Wednesday, January 03, 2018 10:00 AM
To: 'LEE John -TREASURY' <john.s.lee@opg.com<mailto:john.s.lee@opg.com>>

Cc: Mike Manning <Mike.Manning@ofina.on.ca<mailto:Mike.Manning@ofina.on.ca>>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com<mailto:may.lapira@opg.com>>; LADAK Lubna -TREASURY <lubna.ladak@opg.com<mailto:lubna.ladak@opg.com>>; RYFA Ken -TREASURY <ken.ryfa@opg.com<mailto:ken.ryfa@opg.com>>; Shruti.Talwar@ontario.ca<mailto:Shruti.Talwar@ontario.ca>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com<mailto:j.hahnparker@opg.com>>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca<mailto:Tim.Christie@ontario.ca>>; Ronald Kwan <Ronald.Kwan@ofina.on.ca<mailto:Ronald.Kwan@ofina.on.ca>>
Subject: RE: Draft Fair Hydro Investor Presentation.

Hi John

Happy new year, hope you had a few days off. Pls see some minor comments, I have limited my review to the Province's role in the OFHP. Mike may have others.

· Page 15 – last bullet; the $2 billion credit facility has been extended from the OFA, not the OEFC

· Page 25 - Change of law Process Agreement; I would add that the PAM is set and updated by the Financing Plan.

Thanks

Ken k

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: Thursday, December 21, 2017 5:33 PM
To: Tim Christie (ENERGY) <Tim.Christie@ontario.ca<mailto:Tim.Christie@ontario.ca>>
Cc: Mike Manning <Mike.Manning@ofina.on.ca<mailto:Mike.Manning@ofina.on.ca>>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca<mailto:Ken.Kandeepan@ofina.on.ca>>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com<mailto:may.lapira@opg.com>>; LADAK Lubna -TREASURY <lubna.ladak@opg.com<mailto:lubna.ladak@opg.com>>; RYFA Ken -TREASURY <ken.ryfa@opg.com<mailto:ken.ryfa@opg.com>>; Shruti.Talwar@ontario.ca<mailto:Shruti.Talwar@ontario.ca>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com<mailto:j.hahnparker@opg.com>>
Subject: Draft Fair Hydro Investor Presentation.

Tim:

As discussed attached is the most current draft of the Investor Presentation. If you or the MOE or OFA have any comments please let us know.
The plan is to have another turn of the document in the 1st week in January. May will have the "pen" from our side.

Have a Merry Christmas.

John

John Lee | Vice President Treasurer |
Ontario Power Generation | 700 University Avenue, H18 A6, Toronto, Ontario M5G 1X6 |
416.592.6392 | john.s.lee@opg.com<mailto:john.s.lee@opg.com>

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY

CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.
<Fair Hydro Investor Presentation Comments - ENERGY - 20171229_Additions_v07Clean_MOFLSBCEFD v3.docx>

From: John Kim
To: Ronald Kwan
Cc: Usman Zahid
Subject: RE: EXTERNAL – Delivery of Reference Documentation to Province
Date: Friday, January 05, 2018 10:55:38 AM

Hi Ron,

Unfortunately, no….I have an appointment for a mortgage renewal.

John

From: Ronald Kwan
Sent: Friday, January 05, 2018 10:37 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: Fwd: EXTERNAL – Delivery of Reference Documentation to Province

Hi John,

Are you available to attend?

Ron

Begin forwarded message:

> **From:** Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
> **Date:** January 5, 2018 at 10:17:37 AM EST
> **To:** Mike Manning <Mike.Manning@ofina.on.ca>, "'Thouin, Alena (ENERGY)'" <Alena.Thouin@ontario.ca>, "Tobias P. Whitfield (MOF)" <Tobias.Whitfield@ontario.ca>, "Malle Hanslep (MOF)" <Malle.Hanslep@ontario.ca>, "ASHBOURNE, STEPHEN" <STEPHEN.ASHBOURNE@blakes.com>, Anna Strathy <Anna.Strathy@ofina.on.ca>, Ronald Kwan <Ronald.Kwan@ofina.on.ca>, "Tim Christie (ENERGY)" <Tim.Christie@ontario.ca>
> **Cc:** "Shannon Jack (MTO)" <Shannon.Jack@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>
> **Subject: RE: EXTERNAL – Delivery of Reference Documentation to Province**
>
> As I discussed with Malle, Cindy's participation on this call will be quite value-added, she is available at 3PM if that works for everyone else. If so can someone pls send out a tele conference invite.
>
> Thanks
>
> Ken k
>
> -----Original Message-----
> From: Mike Manning
> Sent: Friday, January 05, 2018 10:08 AM
> To: 'Thouin, Alena (ENERGY)' <Alena.Thouin@ontario.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; ASHBOURNE, STEPHEN <STEPHEN.ASHBOURNE@blakes.com>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca>
> Subject: RE: EXTERNAL – Delivery of Reference Documentation to Province
>
> Around as well.
> Mike
>
> -----Original Message-----
> From: Thouin, Alena (ENERGY) [mailto:Alena.Thouin@ontario.ca]
> Sent: Friday, January 05, 2018 10:03 AM
> To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; ASHBOURNE, STEPHEN <STEPHEN.ASHBOURNE@blakes.com>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca>
> Subject: RE: EXTERNAL – Delivery of Reference Documentation to Province
>
> I am available as well.
>
> After 11:30
>
> Adding our Energy policy counterparts.
>
> Alena Thouin
>
> Deputy Director, Legal Services Branch
>
> Ministries of Energy / Infrastructure / Economic Development & Growth /
>
> Research, Innovation & Science / Accessibility
>
> 56 Wellesley St. W. 18th Floor, Toronto, ON M7A 2E7
>
> Tel: 416-325-1834 Email: alena.thouin@ontario.ca
>
> This communication may be Solicitor/Client privileged and contain confidential information intended only for the individual or entity named in the message. If the reader of this message is not the intended recipient, or the agent responsible to deliver it to the intended recipient, you are hereby notified

that any review, dissemination, distribution or copying of this communication is prohibited. If this communication was received in error, please notify us by reply e-mail and delete the original message. Thank you.

-----Original Message-----

From: Whitfield, Tobias P. (MOF)

Sent: January 5, 2018 9:35 AM

To: Hanslep, Malle (MOF); ASHBOURNE, STEPHEN; Manning, Mike (OFA); Kandeepan, Ken (OFA); Strathy, Anna (OFA); Kwan, Ronald (OFA)

Cc: Thouin, Alena (ENERGY)

Subject: RE: EXTERNAL – Delivery of Reference Documentation to Province

I am available any time this morning.

Tobias Whitfield

Counsel, Legal Services Branch

Ministry of Finance

tobias.whitfield@ontario.ca

Phone: 416-325-1456

-----Original Message-----

From: Hanslep, Malle (MOF)

Sent: January 5, 2018 9:32 AM

To: ASHBOURNE, STEPHEN; Manning, Mike (OFA); Kandeepan, Ken (OFA); Strathy, Anna (OFA); Kwan, Ronald (OFA)

Cc: Thouin, Alena (ENERGY); Whitfield, Tobias P. (MOF)

Subject: RE: EXTERNAL – Delivery of Reference Documentation to Province

All, Should we have a call to discuss the approach here? I am also available this morning. Maybe someone from Energy policy on it as well. Perhaps Alena can advise.

-----Original Message-----

From: ASHBOURNE, STEPHEN [mailto:STEPHEN.ASHBOURNE@blakes.com]

Sent: January-05-18 9:29 AM

To: Hanslep, Malle (MOF); Manning, Mike (OFA); Kandeepan, Ken (OFA); Strathy, Anna (OFA); Kwan, Ronald (OFA)

Cc: Thouin, Alena (ENERGY); Whitfield, Tobias P. (MOF)

Subject: RE: EXTERNAL – Delivery of Reference Documentation to Province

Thanks for the update, Malle.

I'm not sure how this materiality discussion will relate to the Province commenting on the OM. The base form of the OM was not envisioned as of December 20th, and so it is unclear to me that the material effect discussion is relevant for that purpose.

I have been expecting that the Province would be quite involved in the production of the OM, and not just for information purposes.

To illustrate the sorts of items I would anticipate being relevant to the Province in reviewing the OM, I attach a partial mark-up of the Nov 17th OM (the only one we ever saw) to show how (among other things) the narratives included at that time were not aligned with the legislation. The partial mark-up is a comparison to the version circulated by Alena that included James Rehob's comments. Also, as you know, the Change of Law terms were substantially settled after November 17th, and so those portions of the OM will also be quite different.

Generally, the sorts of things I think the Province may be concerned about in reviewing the OM will include:

(a) ensuring that the description of the Protection Agreement is accurate and does not overstate the Province's obligations,

(b) ensuring that the limitations contemplated in s. 40 of OFHPA and s.19 of the General Regulation have been observed,

(c) eliminating any implied/moral undertakings by the Province to bondholders,

(d) scrutinizing any "risk factors", particularly as they might relate to the context in which Protection Events may arise,

(e) confirming any disclosures regarding the Province's (Ministers') roles, including in setting the "fair allocation amount", accepting the "Financing Plan" provided to the Minister of Energy, etc.,

(f) ensuring that any description of the Crown, Crown immunity, the OFHPA, the regulations made under it, the OIC, the authority of the LGIC, the provisions of the Electricity Act and related regulations and processes, the Financing Plan, the electricity market regulatory infrastructure and other relevant legal principles and contexts are all properly and accurately described (recognizing the risk that any statement may be attributed to the Province based on its close proximity to the program, and could become consequential in any future legal process that seeks to interpret the statute),

(g) scrutinizing disclosures that could later become evidence in any legal proceeding that would challenge the validity of the OFHPA and related laws,

(h) confirming any "electricity market" disclosures that could impact on underlying considerations, such as the potential for and impact of off-grid migration and by-pass risks, and

(i) the propriety of disclosures regarding matters that could impact on the pricing or rating of the issued bonds.

(This list was previously included in my November 22nd due diligence note to the Province's lawyer team.)

In addition, the Province will need to confirm how James Rehob's earlier comments have been reflected in the OM.

Given all this and the offering timing described by Torys, I think it makes sense to insist on getting the OM now and confirming with OPG that the Province will be taking a careful look at the document, which will take some time (at least 5 business days), and so that could impact the overall timing.

I will be tied up from 930 to 1030, but then free until 1145.

Regards, Steve

Stephen R. Ashbourne

Partner

stephen.ashbourne@blakes.com

Dir: 416-863-3086

Blake, Cassels & Graydon LLP

199 Bay Street, Suite 4000, Toronto ON M5L 1A9

Tel: 416-863-2400 Fax: 416-863-2653

https://urldefense.proofpoint.com/v2/url?u=http-3A__www.blakes.com&d=DwIGaQ&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=gV-xgZHI0tggSwOPXBdMOr4DyITzOyaIKJLqH9Oy-40&m=-QrGCWjnt9dPZPev23OfdA9HRBBXC1iSHeMNNCjt5RM&s=A4FRvIHct8h_iA1PKpb1pLHhMNORZ6vRN15XI6hpI5k&e= | https://urldefense.proofpoint.com/v2/url?u=http-3A__twitter.com_BlakesLaw&d=DwIGaQ&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=gV-xgZHI0tggSwOPXBdMOr4DyITzOyaIKJLqH9Oy-40&m=-QrGCWjnt9dPZPev23OfdA9HRBBXC1iSHeMNNCjt5RM&s=bI-GH3geYz8H122_42BR_aDcMYYJQKnH8lGgqenva50&e= | https://urldefense.proofpoint.com/v2/url?u=http-3A__www.blakes.com_English_Resources_Bulletins_Pages_unsubscribe.aspx&d=DwIGaQ&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=gV-xgZHI0tggSwOPXBdMOr4DyITzOyaIKJLqH9Oy-40&m=-QrGCWjnt9dPZPev23OfdA9HRBBXC1iSHeMNNCjt5RM&s=ko9V22NeKbnEMcpBFuzSVtWwSSvVOZxxjYVBohQiPhk&e=

Blake, Cassels & Graydon LLP | Barristers & Solicitors | Patent & Trade-mark Agents This email communication is CONFIDENTIAL AND LEGALLY

PRIVILEGED. If you are not the intended recipient, please notify me at the telephone number shown above or by return email and delete this communication and any copy immediately. Thank you.

L'information paraissant dans ce message électronique est CONFIDENTIELLE. Si ce message vous est parvenu par erreur, veuillez immédiatement m'en aviser par téléphone ou par courriel et en détruire toute copie. Merci.

-----Original Message-----

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]

Sent: Friday, January 05, 2018 8:49 AM

To: Manning, Mike (OFA); Kandeepan, Ken (OFA); Strathy, Anna (OFA); Kwan, Ronald (OFA)

Cc: Thouin, Alena (ENERGY); Whitfield, Tobias P. (MOF); ASHBOURNE, STEPHEN

Subject: FW: EXTERNAL – Delivery of Reference Documentation to Province

As you know prior to the warehouse closing we were sent informally drafts of the reference documents as they developed. Since Dec 20th we have received no further drafts of these documents. I don't understand whether it is OPG's plan that they send final transactions documents today (10 days before) and then the Province has the right to object based on the parameters of "material effect" as defined in the Process Agreement. A draft of the investor presentation was circulated to the Province and some comments were being collected yesterday by Energy and the OFA.

""Material Effect" means a material adverse effect on the obligations or the rights of the Province under the Limited Guarantee, the Change of Law Protection Agreement or this Agreement that relates to, and in each case, differs in any material respect from the terms or conditions applicable to any other Transaction Document that forms part of the Reference Documentation at the relevant time, the following: (i) the timing of or circumstances under which related payments would or may become due or accrue (including as a result of any default, acceleration, termination, wind-up, liquidation or realization) that, in each case, is inconsistent with the Fair Allocation Amount; (ii) the appointment, obligations or duties of OPG as the Manager; (iii) the existence, powers or authority of the Financing Entity or the Financing Entity Trustee; (iv) the obligations of the Indenture Trustee to or in respect of the Province as a Specified Creditor; (v) the payment provisions and associated priorities set forth in the Trust Indenture; (vi) compliance by the FSM with the then applicable Financing Plan; (vii) compliance by the FSM or the Financing Entity with the Act or the General Regulation; or (viii) the Province's rights of subrogation or assignment (including pursuant to Sections 1.05, 2.01 or 5.01 of the Change of Law Protection Agreement) or its interests as a subrogee or an assignee, that would arise as a result of performing the Limited Guarantee in respect of the applicable Primary Obligation."

Thanks,

Malle

-----Original Message-----

From: Hanslep, Malle (MOF)

Sent: January-05-18 8:40 AM

To: Ramchandani, Rima; Manning, Mike (OFA); Whitfield, Tobias P. (MOF); Strathy, Anna (OFA); Thouin, Alena (ENERGY); McLean, David (MOF); Strathy, Anna (OFA); Tekle, Jonathan (MOF); Kwan, Ronald (OFA); Hume, Steen (ENERGY); Christie, Tim (ENERGY)

Cc: LEE John -TREASURY; 'WONG Leslie -LAWDIV'; 'RYFA Ken -TREASURY'; 'LADAK Lubna -TREASURY'; 'LAURETA LAPIRA May -TREASURY'; Mansoori, Nina; Saulnier, Brett; Ramchandani, Rima

Subject: RE: EXTERNAL – Delivery of Reference Documentation to Province

Hi Rima,

I have a further question for clarification and perhaps it would make sense to have a call this morning. As you know we have not seen any further drafts of these documents since before the warehouse closing. Have all of these transaction documents now been done in final form? What is their status?

Thanks,

Malle

-----Original Message-----

From: Hanslep, Malle (MOF)

Sent: January-04-18 4:11 PM

To: Ramchandani, Rima; Manning, Mike (OFA); Whitfield, Tobias P. (MOF); Strathy, Anna (OFA); Thouin, Alena (ENERGY); McLean, David (MOF); Strathy, Anna (OFA); Tekle, Jonathan (MOF); Kwan, Ronald (OFA); Hume, Steen (ENERGY); Christie, Tim (ENERGY)

Cc: LEE John -TREASURY; 'WONG Leslie -LAWDIV'; 'RYFA Ken -TREASURY'; 'LADAK Lubna -TREASURY'; 'LAURETA LAPIRA May -TREASURY'; Mansoori, Nina; Saulnier, Brett; Ramchandani, Rima

Subject: Re: EXTERNAL – Delivery of Reference Documentation to Province

Hi Rima

Thanks for the update. I think it would be helpful if you included Toby, Alena and myself on the email where you attach the documents in order to save time. Also it would be helpful if you include track changes versions as you suggest.

Thanks

Malle

Sent from my BlackBerry 10 smartphone on the Rogers network.

Original Message

From: Ramchandani, Rima

Sent: Thursday, January 4, 2018 15:17

To: Manning, Mike (OFA); Whitfield, Tobias P. (MOF); Strathy, Anna (OFA); Thouin, Alena (ENERGY); Hanslep, Malle (MOF); McLean, David (MOF); Strathy, Anna (OFA); Tekle, Jonathan (MOF); Kwan, Ronald (OFA); Hume, Steen (ENERGY); Christie, Tim (ENERGY)

Cc: LEE John -TREASURY; 'WONG Leslie -LAWDIV'; 'RYFA Ken -TREASURY'; 'LADAK Lubna -TREASURY'; 'LAURETA LAPIRA May -TREASURY'; Mansoori, Nina; Saulnier, Brett; Ramchandani, Rima

Subject: RE: EXTERNAL – Delivery of Reference Documentation to Province

Hi Malle, Alena and Toby, Happy New Year to all of you. John forwarded the email below and attached and asked that I connect with you and provide an update. I have included the business folks on this email to make sure we are all on the same page. As John notes below, we had been working towards being in a position to commence marketing for the term deal on January 15th but if marketing is pushed to January 22 or later, then a waiver of the 10 business day requirement should not be necessary. I will let our respective clients advise us on that point and we can come back to the logistics/process for obtaining a waiver should we need one.

We are planning on delivering the following additional reference documentation to the Province tomorrow:

(1) Supplemental Indenture for the Series 2018-1 Term Notes

(2) Supplemental Indenture for the Series 2018-1 Subordinated Term Notes

(3) Supplemental Indenture for the Series 2018-1 Junior Subordinated Term Notes

(4) Agency Agreement

(5) Offering Memorandum (including the investor presentation attached as an exhibit to the OM)

(6) Term Sheet supplementing the Offering Memorandum

As you may recall, under the change of law process agreement, all deliveries are required to be made by mail, fax or delivered by hand to each of the Ministers and Deputy Ministers of the MOF and the MOE. To comply with the agreement, we plan on hand delivering the above documents to each of the Ministers and Deputy Ministers tomorrow. We can also email all of these documents to all of you and anyone else you would like us to send these to (in addition to Scott Thompson, Gadi Mayman, Anna Strathy, David McLean, Jonathan Tekle, Mike Manning and Ken Kandeepan -- as requested in Ken's email below). I believe that earlier drafts of all of the term supplemental indentures and the agency agreement were previously circulated to you -- for ease of reference, please let us know if it would be helpful for us to include blacklines to the last versions we sent to you in the email.

Let us know if you agree with the above approach, and feel free to reach out if you have any questions or would like to discuss.

Malle, you had also asked about delivery of the documents from the warehouse closing -- closing books are in progress and we expect to have those ready for circulation next week. Again, in order to comply with the change of law process agreement, the electronic closing books will be delivered to the Ministers and Deputy Ministers of each of the MOF and MOE, but we are happy to also send a copy to others on your instruction.

Thanks,

Rima

Rima Ramchandani

P. 416.865.7666 | F. 416.865.7380 | 1.800.505.8679

Torys LLP

79 Wellington St. W., 30th Floor, Box 270, TD South Tower Toronto, Ontario M5K 1N2 Canada | www.torys.com

-----Original Message-----

From: LEE John -TREASURY

Sent: Thursday, January 04, 2018 12:18 PM

To: 'Ken Kandeepan' <Ken.Kandeepan@ofina.on.ca>

Cc: WONG Leslie -LAWDIV <leslie.wong@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Mike Manning <Mike.Manning@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; David McLean (MOF) <David.McLean@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Jonathan Tekle (CAB) <Jonathan.Tekle@ontario.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Steen Hume (CAB) <Steen.Hume@ontario.ca>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca>

Subject: RE: EXTERNAL – RE: Waiver Process

Ken/Steen:

We are operating under the assumption that it was the Province desire to execute the term deal as early as possible in 2018 which would involve a launch on the 15th. If the preference is now to adhere to the 10 business day requirement and not waive it we are happy to do so and commence marketing later in the month on the 22nd.

Please advise and we will adjust the work plan accordingly.

John

-----Original Message-----

From: Ken Kandeepan [mailto:Ken.Kandeepan@ofina.on.ca]

Sent: Thursday, January 04, 2018 9:36 AM

To: LEE John -TREASURY <john.s.lee@opg.com>

Cc: WONG Leslie -LAWDIV <leslie.wong@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Mike Manning <Mike.Manning@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; David McLean (MOF) <David.McLean@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Jonathan Tekle (CAB) <Jonathan.Tekle@ontario.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Steen Hume (CAB) <Steen.Hume@ontario.ca>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca>

Subject: EXTERNAL – RE: Waiver Process

*** Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email. ***

Hi John

I spoke to our DM's office and Scott's email is Scott.Thompson@ontario.ca, As required by the Process Agreement between the Province and OPG, pls forward the documents pertaining to the upcoming term deal by email to Scott with a cc to the following:

Gadi Mayman, Anna Strathy, David McLean (cc'ed above), Jonathan Tekle (also cc'ed above), Mike and myself.

Given that the Process Agreement requires OPG to also provide the same documents to MOE, I am cc'ing Steen and Tim so that they can inform their DM's Office as well.

With regard to the waiver, pls see Malle's comments below, it would also be useful if OPG were to provide a rationale as to why waiving the 10 business days requirement which may allow for term debt issuance in mid-January by the Trust is more beneficial than issuance either later in the same month or early February.

Thanks

Ken k

-----Original Message-----

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]

Sent: Wednesday, January 03, 2018 8:45 PM

To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; LEE John -TREASURY <john.s.lee@opg.com>

Cc: WONG Leslie -LAWDIV <leslie.wong@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Mike Manning <Mike.Manning@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>

Subject: Re: Waiver Process

It would be very helpful if OPG and Torys could provide to us a timetable and schedule for delivery of reference documents that are being prepared and when do we expect to get them and when is the proposed issuance. On that basis we can review the timing and determine whether a waiver will be necessary and if it is how it might be processed. Unfortunately we haven't received any updates or draft documents since the closing of the warehouse deal. Also is there a plan for distributing to the Province the documents from the warehouse closing?

Thanks

Malle

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Ken Kandeepan

Sent: Wednesday, January 3, 2018 20:04

To: LEE John -TREASURY

Cc: WONG Leslie -LAWDIV; LADAK Lubna -TREASURY; LAURETA LAPIRA May -TREASURY; RYFA Ken -TREASURY; Manning, Mike (OFA); Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); Strathy, Anna (OFA)

Subject: Re: Waiver Process

Thanks, didn’t realize that all waivers have to be signed by the respective ministers, which as you know is difficult on an operational basis.

I am cc’ing our legal counsel to see if they have any suggestions.

Ken k

On Jan 3, 2018, at 5:57 PM, LEE John -TREASURY <john.s.lee@opg.com<mailto:john.s.lee@opg.com>> wrote:

Ken:

Given the importance of the Protection agreement and the desire to follow it to the "letter" ……see Torys comments below. Have you made provisions on the Province side to operationalize the delegation of waivers and amendments to facilitate the request. If not then the debt issuance date will get pushed out by the full 10 days.

Please advise.

John

From: Ramchandani, Rima [mailto:rramchandani@torys.com]

Sent: Wednesday, January 03, 2018 5:38 PM

To: LEE John -TREASURY <john.s.lee@opg.com<mailto:john.s.lee@opg.com>>

Cc: Feldman, Michael <mfeldman@torys.com<mailto:mfeldman@torys.com>>; WONG Leslie -LAWDIV <leslie.wong@opg.com<mailto:leslie.wong@opg.com>>; LADAK Lubna -TREASURY <lubna.ladak@opg.com<mailto:lubna.ladak@opg.com>>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com<mailto:may.lapira@opg.com>>; RYFA Ken -TREASURY <ken.ryfa@opg.com<mailto:ken.ryfa@opg.com>>; GO Matthew -TREASURY <matthew.go@opg.com<mailto:matthew.go@opg.com>>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com<mailto:j.hahnparker@opg.com>>

Subject: RE: EXTERNAL – RE: Diligence Questions

I should add that the waiver of the 10 BD requirement needs to be executed in writing by the Province (which means we will need signatures from each Minister). Will that be achievable? If not, perhaps we can proceed on the basis of an email waiver with the waiver signed by the Ministers to follow as soon as possible. Sorry but it is going to be a pain in the butt navigating through this agreement … hopefully the Province will realize that and agree to make some amendments!

Rima

Rima Ramchandani

P. 416.865.7666 | F. 416.865.7380 | 1.800.505.8679

From: Ramchandani, Rima

Sent: January-03-18 5:32 PM

To: 'LEE John -TREASURY' <john.s.lee@opg.com<mailto:john.s.lee@opg.com>>

Cc: Feldman, Michael <mfeldman@torys.com<mailto:mfeldman@torys.com>>; WONG Leslie -LAWDIV <leslie.wong@opg.com<mailto:leslie.wong@opg.com>>; LADAK Lubna -TREASURY <lubna.ladak@opg.com<mailto:lubna.ladak@opg.com>>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com<mailto:may.lapira@opg.com>>; RYFA Ken -TREASURY <ken.ryfa@opg.com<mailto:ken.ryfa@opg.com>>; GO Matthew -TREASURY <matthew.go@opg.com<mailto:matthew.go@opg.com>>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com<mailto:j.hahnparker@opg.com>>

Subject: RE: EXTERNAL – RE: Diligence Questions

OK. I assume the DM of Finance will sign off on behalf of the Minister of Finance. But what about the Minister of Energy? The agreement requires notices to both Ministers on behalf of the Province and I recall on the warehouse closing, we had to wait for a representative from each Ministry to sign off.

Rima

Rima Ramchandani

P. 416.865.7666

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]

Sent: January-03-18 5:24 PM

To: Ramchandani, Rima <rramchandani@torys.com<mailto:rramchandani@torys.com>>

Cc: Feldman, Michael <mfeldman@torys.com<mailto:mfeldman@torys.com>>; WONG Leslie -LAWDIV <leslie.wong@opg.com<mailto:leslie.wong@opg.com>>; LADAK Lubna -TREASURY <lubna.ladak@opg.com<mailto:lubna.ladak@opg.com>>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com<mailto:may.lapira@opg.com>>; RYFA Ken -TREASURY <ken.ryfa@opg.com<mailto:ken.ryfa@opg.com>>; GO Matthew -TREASURY <matthew.go@opg.com<mailto:matthew.go@opg.com>>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com<mailto:j.hahnparker@opg.com>>

Subject: RE: EXTERNAL – RE: Diligence Questions

I was speaking to Ken Kandeepan on the process this afternoon and he indicated to me that we should send the documents and the waiver request to the Deputy Minister of Finance with a cc. Gadi. Ken was going to send along the contact info for the DM of Finance and also alert their Office of the inbound email so they would not be surprised.

John

_____

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

_____

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

_____

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

This email and any attachments are for the sole use of the intended recipients and may be privileged or confidential. Any distribution, printing or other use by anyone else is prohibited. If you are not an intended recipient, please contact the sender immediately, and permanently delete this email and attachments.

Le présent courriel et les documents qui y sont joints sont exclusivement réservés à l'utilisation des destinataires concernés et peuvent être de nature privilégiée ou confidentielle. Toute distribution, impression ou autre utilisation est interdite aux autres personnes. Si vous ne faites pas partie des destinataires concernés, veuillez en informer immédiatement l'expéditeur, ainsi que supprimer ce courriel et les documents joints de manière permanente.

From:	John Kim
To:	Shajee Kathirgamanathan
Subject:	RE: EXTERNAL – FHP Questions - Funding Profile
Date:	Monday, April 23, 2018 1:39:31 PM

But I thought the best source would be the papers Energy sent prior to equity injection.

From: Shajee Kathirgamanathan
Sent: Monday, April 23, 2018 1:39 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: FW: EXTERNAL – FHP Questions - Funding Profile

Just saw your email to Esther about the below table….

We just reached out to Carlos as well in case there was an update we're missing. They haven't received one yet.

FYI

Thanks,
Shajee

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Shajee Kathirgamanathan
Sent: Monday, April 23, 2018 1:35 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: EXTERNAL – FHP Questions - Funding Profile

Good to know. Just checking.

Thanks Carlos

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Carlos Yep
Sent: Monday, April 23, 2018 1:35 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: EXTERNAL – FHP Questions - Funding Profile

Hi Shajee
No, I have not received a breakdown of OPG funding related to FHT.

I only have the email from Ken Kandeepan on April 16 with the 20April2018 Equity Injection signed shared subscription, FAA Certificate and Payment memo

Regards

Carlos

From: Shajee Kathirgamanathan
Sent: Monday, April 23, 2018 1:29 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: EXTERNAL – FHP Questions - Funding Profile

Hi Carlos,

Hope you're well.

Would you have received a similar table below from OPG regarding the most recent Fair Hydro Trust offering?

Thanks,
Shajee

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Carlos Yep
Sent: Thursday, February 15, 2018 12:52 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: EXTERNAL – FHP Questions - Funding Profile

FYI

From: RYFA Ken -TREASURY [mailto:ken.ryfa@opg.com]
Sent: Wednesday, February 07, 2018 12:19 PM
To: Talwar, Shruti (ENERGY) <Shruti.Talwar@ontario.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Graham Young (MOI) <Graham.Young@ontario.ca>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; LIU Sheen -TREASURY <sheen.liu@opg.com>; GO Matthew -TREASURY <matthew.go@opg.com>
Subject: RE: EXTERNAL – FHP Questions

Shruti,
Now that the FHT has issued term debt the funding composition is starting to get more complicated. To help understand this below is a summary of the overall funding in the FHT which is now split between warehouse funding and term funding:

			Term debt takeout		
Warehouse Funding		Initial Balance	(980,392,156.86)	Ending Balance	
Senior debt	B=51% x A	601,290,000.00	(500,000,000.00)	101,290,000.00	51%
Subordinated	39/51 X B	459,810,000.00	(382,353,000.00)	77,457,000.00	39%
Junior subordinated	10/51 X B	117,900,000.00	(98,040,000.00)	19,860,000.00	10%
		1,179,000,000.00	(980,393,000.00)	198,607,000.00	
Term Debt Funding					
Senior debt	51.00%		500,000,000.00	500,000,000.00	51%
Subordinated	39.00%		382,353,000.00	382,353,000.00	39%

Junior subordinated	10.00%		98,040,000.00	98,040,000.00	10%
		-	980,393,000.00	980,393,000.00	
Total Funding					
Senior debt	51.00%	601,290,000.00	-	601,290,000.00	51%
Subordinated	39.00%	459,810,000.00	-	459,810,000.00	39%
Junior subordinated	10.00%	117,900,000.00	-	117,900,000.00	10%
		1,179,000,000.00	-	1,179,000,000.00	

1) The equity injection in December was used to fund the subordinated warehouse notes not the term notes. The warehouse notes have a base rate representing all-in funding costs of the senior warehouse notes per s 2.03(b). This funding cost is variable so any rate provided will only apply to a particular period. The December rate was approximately 2.5%. Per s 2.04(b)(i) & (c)(i) the applicable spread for sub and jr sub of this issuance was set at 0.10%.

   The sub and jr sub term notes that correspond to the senior term notes priced yesterday are different. The actual rates are still under review for the sub and jr sub which should be finalized soon.

2) Yes, next equity injection is likely March but could be February as well. For March transaction we would clear out as much of the IESO variance account as possible most of which is reflected in the February month end balance.

Hope this helps.
Thanks,
Ken

From: Talwar, Shruti (ENERGY) [mailto:Shruti.Talwar@ontario.ca]
Sent: Wednesday, February 07, 2018 11:25 AM
To: RYFA Ken -TREASURY <ken.ryfa@opg.com>; Yep, Carlos (OFA) <Carlos.Yep@ofina.on.ca>
Cc: Young, Graham (ENERGY) <Graham.Young@ontario.ca>
Subject: EXTERNAL – FHP Questions

*** Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email. ***

Hi Ken, Carlos,

Hope you are both well.

I have a couple of questions re: equity injection. They may be both for Ken, but Carlos may be useful to loop you in as well.

1) Can you please provide the interest rate for suboardinate and jr. suboardinate term notes for the transaction that closed on Dec 20, 2017. Per the interest protocol agreement, the interest rate is the 'applicable base rate' (defined in S 2.03) and 'applicable spread' (defined in S 2.04). Section 2.06 of the protocol notes the sharing of this information with ENERGY and OFA. We need this information as soon as possible.

2) What is the timing for the next equity injection? Are you thinking it will be as of the

regulatory asset balance as at Feb 28, 2018? In which case, could we expect a request in early March? As you know, the transaction needs to close before March 31 to align with our approved allocations from Treasury Board.

Thank you. Feel free to give me a call with any questions.
Shruti

Shruti Talwar
Director, Strategic Policy and Analytics Branch
Strategic, Network and Agency Policy Division
Ontario Ministry of Energy
416.325-8698
shruti.talwar@ontario.ca

From: John Kim
To: Shajee Kathirgamanathan
Cc: Gavin He
Subject: RE: EXTERNAL – FHP Questions - Funding Profile
Date: Monday, April 23, 2018 1:42:41 PM

S:\Users\CEF\Hydro 2018\Fair Hydro Plan\Equity Injection

I think I roughly have the answers I need in the folders above

---

From: Shajee Kathirgamanathan
Sent: Monday, April 23, 2018 1:41 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: EXTERNAL – FHP Questions - Funding Profile

Energy's papers would only help for the equity injection amount. If we want info on the jr/sub debt the table below is helpful.

Also the table below helps us understand what's been issued as term debt and what's remaining in OPG's warehouse facility.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Monday, April 23, 2018 1:40 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: EXTERNAL – FHP Questions - Funding Profile

But I thought the best source would be the papers Energy sent prior to equity injection.

From: Shajee Kathirgamanathan
Sent: Monday, April 23, 2018 1:39 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: FW: EXTERNAL – FHP Questions - Funding Profile

Just saw your email to Esther about the below table….

We just reached out to Carlos as well in case there was an update we're missing. They haven't received one yet.

FYI

Thanks,
Shajee

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Shajee Kathirgamanathan
Sent: Monday, April 23, 2018 1:35 PM

To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: EXTERNAL – FHP Questions - Funding Profile

Good to know. Just checking.

Thanks Carlos

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Carlos Yep
Sent: Monday, April 23, 2018 1:35 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: EXTERNAL – FHP Questions - Funding Profile

Hi Shajee
No, I have not received a breakdown of OPG funding related to FHT.

I only have the email from Ken Kandeepan on April 16 with the 20April2018 Equity Injection signed shared subscription, FAA Certificate and Payment memo

Regards
Carlos

From: Shajee Kathirgamanathan
Sent: Monday, April 23, 2018 1:29 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: EXTERNAL – FHP Questions - Funding Profile

Hi Carlos,

Hope you're well.

Would you have received a similar table below from OPG regarding the most recent Fair Hydro Trust offering?

Thanks,
Shajee

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Carlos Yep
Sent: Thursday, February 15, 2018 12:52 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: EXTERNAL – FHP Questions - Funding Profile

FYI

From: RYFA Ken -TREASURY [mailto:ken.ryfa@opg.com]
Sent: Wednesday, February 07, 2018 12:19 PM
To: Talwar, Shruti (ENERGY) <Shruti.Talwar@ontario.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Graham Young (MOI) <Graham.Young@ontario.ca>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; LIU Sheen -TREASURY <sheen.liu@opg.com>; GO Matthew -TREASURY <matthew.go@opg.com>
Subject: RE: EXTERNAL – FHP Questions

Shruti,
Now that the FHT has issued term debt the funding composition is starting to get more complicated. To help understand this below is a summary of the overall funding in the FHT which is now split between warehouse funding and term funding:

			Term debt takeout		
Warehouse Funding		Initial Balance	(980,392,156.86)	Ending Balance	
Senior debt	B=51% x A	601,290,000.00	(500,000,000.00)	101,290,000.00	51%
Subordinated	39/51 X B	459,810,000.00	(382,353,000.00)	77,457,000.00	39%
Junior subordinated	10/51 X B	117,900,000.00	(98,040,000.00)	19,860,000.00	10%
		1,179,000,000.00	(980,393,000.00)	198,607,000.00	
Term Debt Funding					
Senior debt	51.00%		500,000,000.00	500,000,000.00	51%
Subordinated	39.00%		382,353,000.00	382,353,000.00	39%
Junior subordinated	10.00%		98,040,000.00	98,040,000.00	10%
		-	980,393,000.00	980,393,000.00	
Total Funding					
Senior debt	51.00%	601,290,000.00	-	601,290,000.00	51%
Subordinated	39.00%	459,810,000.00	-	459,810,000.00	39%
Junior subordinated	10.00%	117,900,000.00	-	117,900,000.00	10%
		1,179,000,000.00	-	1,179,000,000.00	

1) The equity injection in December was used to fund the subordinated warehouse notes not the term notes. The warehouse notes have a base rate representing all-in funding costs of the senior warehouse notes per s 2.03(b). This funding cost is variable so any rate provided will only apply to a particular period. The December rate was approximately 2.5%. Per s 2.04(b)(i) & (c)(i) the applicable spread for sub and jr sub of this issuance was set at 0.10%.

   The sub and jr sub term notes that correspond to the senior term notes priced yesterday are different. The actual rates are still under review for the sub and jr sub which should be finalized soon.

2) Yes, next equity injection is likely March but could be February as well. For March transaction we would clear out as much of the IESO variance account as possible most of which is reflected in the February month end balance.

Hope this helps.
Thanks,
Ken

From: Talwar, Shruti (ENERGY) [mailto:Shruti.Talwar@ontario.ca]
Sent: Wednesday, February 07, 2018 11:25 AM
To: RYFA Ken -TREASURY <ken.ryfa@opg.com>; Yep, Carlos (OFA) <Carlos.Yep@ofina.on.ca>
Cc: Young, Graham (ENERGY) <Graham.Young@ontario.ca>
Subject: EXTERNAL – FHP Questions

*** Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email. ***

Hi Ken, Carlos,

Hope you are both well.

I have a couple of questions re: equity injection. They may be both for Ken, but Carlos may be useful to loop you in as well.

1) Can you please provide the interest rate for suboardinate and jr. suboardinate term notes for the transaction that closed on Dec 20, 2017. Per the interest protocol agreement, the interest rate is the 'applicable base rate' (defined in S 2.03) and 'applicable spread' (defined in S 2.04). Section 2.06 of the protocol notes the sharing of this information with ENERGY and OFA. We need this information as soon as possible.

2) What is the timing for the next equity injection? Are you thinking it will be as of the regulatory asset balance as at Feb 28, 2018? In which case, could we expect a request in early March? As you know, the transaction needs to close before March 31 to align with our approved allocations from Treasury Board.

Thank you. Feel free to give me a call with any questions.
Shruti

Shruti Talwar
Director, Strategic Policy and Analytics Branch
Strategic, Network and Agency Policy Division
Ontario Ministry of Energy
416.325-8698
shruti.talwar@ontario.ca

From:	John Kim
To:	Shajee Kathirgamanathan; Gavin He
Subject:	RE: FHP Calculation *DRAFT*
Date:	Tuesday, April 24, 2018 3:31:46 PM

I saved the v1a with interest delta of 2.481. Is that right?

From: John Kim
Sent: Tuesday, April 24, 2018 3:30 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

I don't think you updated the front page.

From: Shajee Kathirgamanathan
Sent: Tuesday, April 24, 2018 3:20 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Hi,

Please see attached and found here:
S:\Users\CEF\Hydro 2018\Fair Hydro Plan\Financing\Interest Payment Calculation

We can send this up the line asap.

However it may take a bit of time, but we can also think about how to integrate historical information as well to do the prediction in some way/fashion.

Thanks,
Shajee

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Tuesday, April 24, 2018 3:06 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Ok, thanks.

From: Shajee Kathirgamanathan
Sent: Tuesday, April 24, 2018 3:06 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Yup. Looks good to me. If we're sending this up the line, I would also just delete the extra tabs and information that isn't necessary. Working on that now.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Tuesday, April 24, 2018 2:57 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

I took a shot….did I do that right? Didn't save it anywhere

From: Shajee Kathirgamanathan
Sent: Tuesday, April 24, 2018 2:35 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Sure

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Tuesday, April 24, 2018 2:35 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: FHP Calculation *DRAFT*

Could you update this with the latest?

Thanks,

John

From: Shajee Kathirgamanathan

Sent: Thursday, April 19, 2018 2:54 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Updated with Peak Debt

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Shajee Kathirgamanathan
Sent: Thursday, April 19, 2018 2:35 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: FHP Calculation *DRAFT*

I'll come by to discuss.

Thanks,
Shajee

Shajee Kathirgamanathan
Senior Advisor
Electricity Finance Branch, Corporate and Electricity Finance Division
Ontario Financing Authority
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From:	John Kim
To:	Shajee Kathirgamanathan; Gavin He
Subject:	RE: FHP Calculation *DRAFT*
Date:	Tuesday, April 24, 2018 3:29:40 PM

I don't think you updated the front page.

From: Shajee Kathirgamanathan
Sent: Tuesday, April 24, 2018 3:20 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Hi,

Please see attached and found here:
S:\Users\CEF\Hydro 2018\Fair Hydro Plan\Financing\Interest Payment Calculation

We can send this up the line asap.

However it may take a bit of time, but we can also think about how to integrate historical information as well to do the prediction in some way/fashion.

Thanks,
Shajee

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Tuesday, April 24, 2018 3:06 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Ok, thanks.

From: Shajee Kathirgamanathan
Sent: Tuesday, April 24, 2018 3:06 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Yup. Looks good to me. If we're sending this up the line, I would also just delete the extra tabs and information that isn't necessary. Working on that now.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Tuesday, April 24, 2018 2:57 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

I took a shot….did I do that right? Didn't save it anywhere

From: Shajee Kathirgamanathan
Sent: Tuesday, April 24, 2018 2:35 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Sure

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Tuesday, April 24, 2018 2:35 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: FHP Calculation *DRAFT*

Could you update this with the latest?

Thanks,

John

From: Shajee Kathirgamanathan
Sent: Thursday, April 19, 2018 2:54 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Updated with Peak Debt

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359

shajee.kathirgamanathan@ofina.on.ca

From: Shajee Kathirgamanathan
Sent: Thursday, April 19, 2018 2:35 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: FHP Calculation *DRAFT*

I'll come by to discuss.

Thanks,
Shajee

Shajee Kathirgamanathan
Senior Advisor
Electricity Finance Branch, Corporate and Electricity Finance Division
Ontario Financing Authority
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Shajee Kathirgamanathan
To: John Kim; Gavin He
Subject: RE: FHP Calculation *DRAFT*
Date: Tuesday, April 24, 2018 3:19:34 PM
Attachments: OFHP supporting data for OFA_v0.1._EFB-FinancingPlanUpdate_v1.xlsx

---

Hi,

Please see attached and found here:
S:\Users\CEF\Hydro 2018\Fair Hydro Plan\Financing\Interest Payment Calculation

We can send this up the line asap.

However it may take a bit of time, but we can also think about how to integrate historical information as well to do the prediction in some way/fashion.

Thanks,
Shajee

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Tuesday, April 24, 2018 3:06 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Ok, thanks.

From: Shajee Kathirgamanathan
Sent: Tuesday, April 24, 2018 3:06 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Yup. Looks good to me. If we're sending this up the line, I would also just delete the extra tabs and information that isn't necessary. Working on that now.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Tuesday, April 24, 2018 2:57 PM

To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

I took a shot….did I do that right? Didn't save it anywhere

From: Shajee Kathirgamanathan
Sent: Tuesday, April 24, 2018 2:35 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Sure

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Tuesday, April 24, 2018 2:35 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: FHP Calculation *DRAFT*

Could you update this with the latest?

Thanks,

John

From: Shajee Kathirgamanathan
Sent: Thursday, April 19, 2018 2:54 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Updated with Peak Debt

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Shajee Kathirgamanathan
Sent: Thursday, April 19, 2018 2:35 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: FHP Calculation *DRAFT*

I'll come by to discuss.

Thanks,
Shajee

Shajee Kathirgamanathan
Senior Advisor
Electricity Finance Branch, Corporate and Electricity Finance Division
Ontario Financing Authority
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

NOTE: *Draft version for Comment. Inputs and assumptions may not be consistent with best information available.*

Attempted Recreation of Energy's Octo

INPUTS:

Calculation for Scenario Analysis		
Provincial Borrowing	3.71%	*<-- Change this number to test differ*
Basis Points	00 bp	*<-- Number used for scenario analys*
Total (Interest Rate)	3.7119%	
Model Circularity	ON	

OUTPUTS:

Interest Calculation		
Interest Rate:	3.71%	
Year Interest Payments Stop:	2045	
Total Interest Paid:	11,368	*NOTE: Calculations do not match En*
Peak Debt:	18,569	

SENSITIVITIES: *Determine sensitivites at various rates*

		Total Interest Paid
Provincial Borrowing	Provincial Borrowing +	Provincial Borrowing +
11,368	0 bp	30 bp
3.12%	8,542	9,885
3.50%	10,275	11,857
3.75%	11,578	13,362
4.00%	13,047	15,075
4.25%	14,716	17,030
4.50%	16,619	19,200

Sensitivites and difference compared to provincial borrowing

	Difference in Interest Paid Compared to Provin	
	Provincial Borrowing + 0 bp	Provincial Borrowing + 30 bp
3.12%	-	1,343
3.50%	-	1,582
3.75%	-	1,784
4.00%	-	2,028
4.25%	-	2,314
4.50%	-	2,580

ISSUANCE ANALYSIS:

		Weighted Average Borrowing Calcul
Tranche A - Senior Debt	51%	FHT:
Tranche B - Sub Debt	39%	OPG via Province
Tranche C - Jr. Sub Debt	10%	OPG via Province & Cap Mkts

WEIGHTED AVERAGE:

FHT Weighted Average Rate:	3.712%
FHT Interest Paid	11,088
Peak Debt:	18,485
Provincial Borrowing at Issuance:	3.20% *Source: OFA*
Provincial Interest Paid:	8,887
Peak Debt:	17,752
Difference in Interest Paid:	**2,201**
Difference in Peak Debt:	**733**

ɔber 19 Analysis by EFB

ɾent interest rates
ɪs

ergy's methodology exactly in Developing FAA/RA. Subject to updates and refinement.

Provincial Borrowing + 40 bp	Provincial Borrowing + 50 bp
10,374	10,879
12,432	13,047
14,017	14,716
15,821	16,619
17,874	18,750
20,124	21,083

cial Borrowing:	
Provincial Borrowing + 40 bp	Provincial Borrowing + 50 bp
1,832	2,337
2,156	2,771
2,439	3,138
2,774	3,573
3,158	4,034
3,505	4,464

ation	
3.520%	*Source: Debt Issuance Document*
3.834%	*Source: Debt Issuance Document*
4.214%	*Source: Debt Issuance Document*

3.712%

OFHP debt and interest projections, by calendar year

$ nominal million	2017
FAA w/ Interest, Fees, Readjustment Principle Recovery, Readjustment*	(1,396)
Interest Paid	32
Closing Debt Balance	1,428

*Delta between IESO GA cost forecast and Total GA paid by ratepayer, inclusive of interest
Notes: model assumes interest rate of 4.5% and data is exclusive of OPG financing fees

Date: October 19, 2017
Source: Ministry of Energy

Attempted recreation by EFB ($ nominal Million)

Interest:
Year Interest Payments Stop:
Total Interest Paid - Positive:
Peak Debt:

	2017
*FAA w/ Interest, Fees, Readjustment Principle Recovery, Readjustment** ***(Exactly from above)***	1,396
Interest Paid (attempted recreation) [EFB Calculation]	26
Closing Debt Balance [EFB Calculation]	1,423
	-5.74

	2018	2019	2020	2021	2022
	(2,189)	(2,296)	(2,414)	(2,204)	(1,700)
	116	225	343	466	577
	3,734	6,254	9,011	11,681	13,958

3.71%

2045 *(note: array formula)*

11,368

18,569

	2018	**2019**	**2020**	**2021**	**2022**
	2,189	2,296	2,414	2,204	1,700
					Additional Borrowing/F
	95	184	280	378	466
	3,707	6,186	8,879	11,461	13,627
	-26.68	***-67.79***	***-131.64***	***-219.70***	***-330.96***

2023	2024	2025	2026	2027
(1,050)	(492)	(61)	79	129
667	733	778	814	851
15,674	16,899	17,677	18,491	19,342

2023	**2024**	**2025**	**2026**	**2027**
1,050	492	61	(79)	(129)
	Cross Over Point:	(61)		
	Borrrowing Still Required:		79	129
Repayments [Reason Unknown, Plug]:				
535	585	616	639	664
15,212	16,289	16,905	17,544	18,207
-462.45	***-610.73***	***-772.66***	***-947.11***	***-1134.84***

2028	2029	2030	2031	2032
354	714	1,251	1,188	1,348
883	896	888	872	854
19,904	19,904	19,541	19,226	18,732

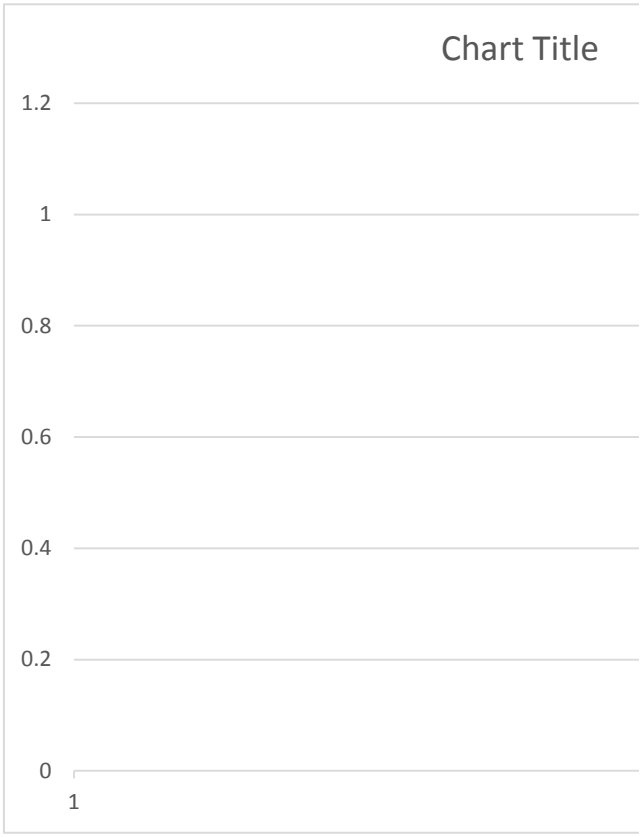


2028	**2029**	**2030**	**2031**	**2032**
(354)	(714)	(1,251)	(1,188)	(1,348)
33.45	(182)			
683	685	671	650	627
18,569	18,359	17,779	17,241	16,520
-1335.34	***-1545.69***	***-1762.53***	***-1984.85***	***-2212.33***

2033	2034	2035	2036	2037
1,419	1,901	2,087	2,128	2,062
830	791	736	673	607
18,143	17,033	15,682	14,227	12,773

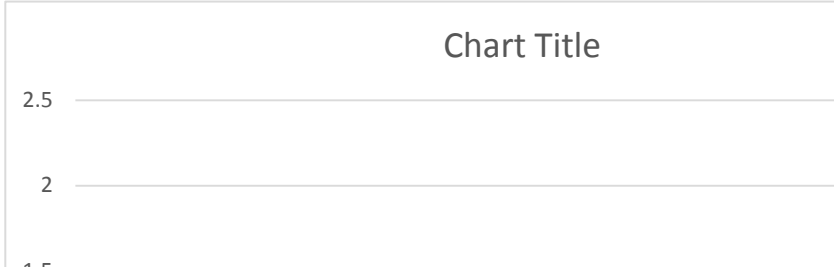


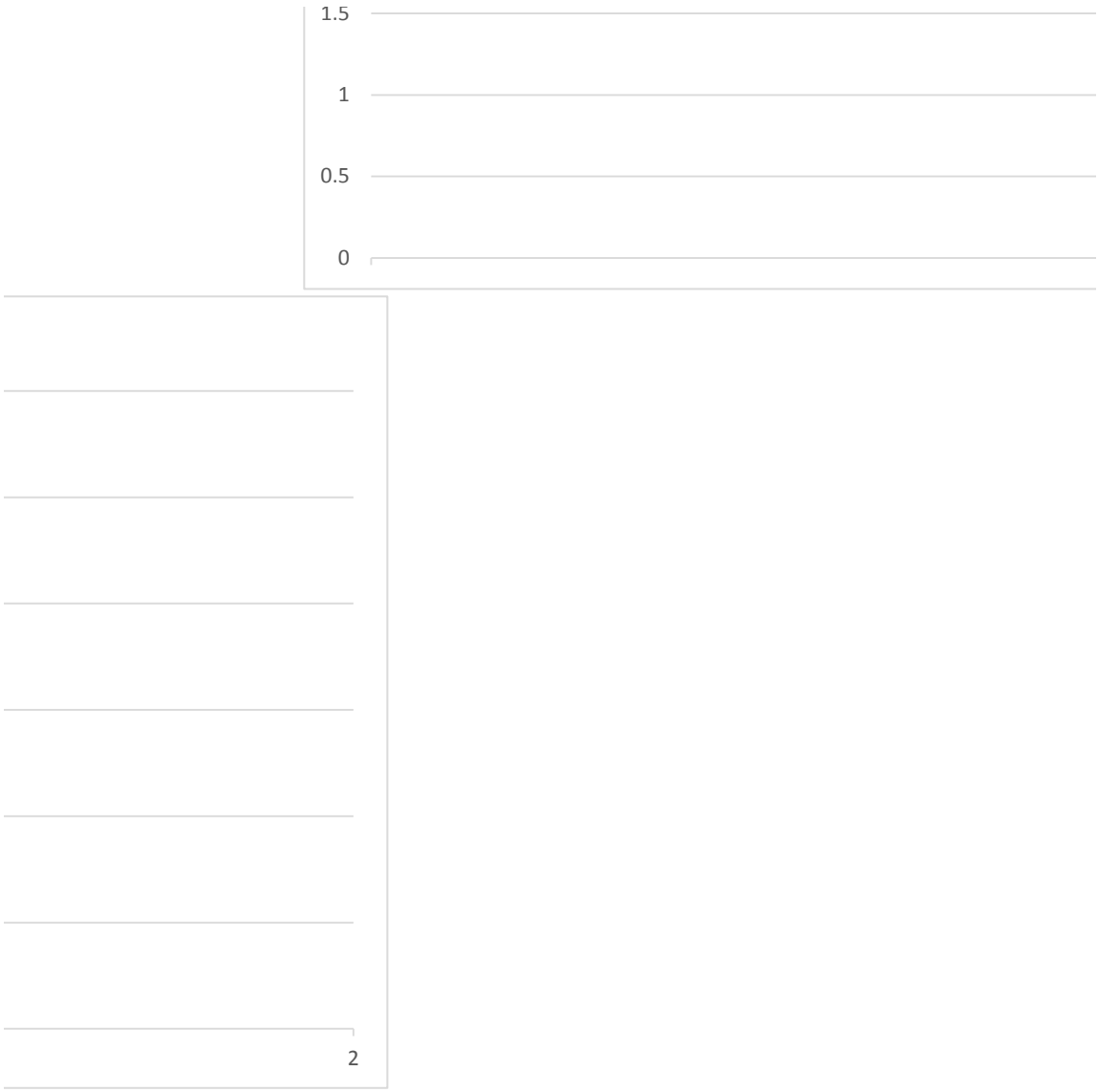
2033	**2034**	**2035**	**2036**	**2037**
(1,419)	(1,901)	(2,087)	(2,128)	(2,062)
598	558	503	443	380
15,698	14,356	12,772	11,087	9,405
-2444.06	***-2677.73***	***-2910.37***	***-3140.53***	***-3367.72***


Chart Title
1.2
1
0.8
0.6
0.4
0.2
0
1

2038	2039	2040	2041	2042
2,099	1,796	1,527	1,392	1,379
540	475	420	372	326
11,214	9,893	8,786	7,766	6,713

2038	**2039**	**2040**	**2041**	**2042**
(2,099)	(1,796)	(1,527)	(1,392)	(1,379)
316	254	201	153	107
7,622	6,081	4,755	3,516	2,244
-3591.40	***-3811.97***	***-4031.14***	***-4250.06***	***-4468.94***




1.5
1
0.5
0
2

2043	2044	2045	2046	2047
1,310	1,341	1,357	1,526	2,034
279	231	179	121	45
5,682	4,571	3,394	1,989	0



2043	**2044**	**2045**	**2046**	**2047**
(1,310)	(1,341)	(1,357)	(1,526)	(2,034)
60	12	(38)	(94)	(165)
994	(335)	(1,730)	(3,350)	(5,549)
-4687.72	***-4906.18***	***-5123.72***	***-5339.11***	***-5549.02***

From:	John Kim
To:	Shajee Kathirgamanathan; Gavin He
Subject:	RE: FHP Calculation *DRAFT*
Date:	Tuesday, April 24, 2018 3:06:29 PM

Ok, thanks.

From: Shajee Kathirgamanathan
Sent: Tuesday, April 24, 2018 3:06 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Yup. Looks good to me. If we're sending this up the line, I would also just delete the extra tabs and information that isn't necessary. Working on that now.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Tuesday, April 24, 2018 2:57 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

I took a shot….did I do that right? Didn't save it anywhere

From: Shajee Kathirgamanathan
Sent: Tuesday, April 24, 2018 2:35 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Sure

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Tuesday, April 24, 2018 2:35 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: FHP Calculation *DRAFT*

Could you update this with the latest?

Thanks,

John

From: Shajee Kathirgamanathan
Sent: Thursday, April 19, 2018 2:54 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Updated with Peak Debt

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Shajee Kathirgamanathan
Sent: Thursday, April 19, 2018 2:35 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: FHP Calculation *DRAFT*

I'll come by to discuss.

Thanks,
Shajee

Shajee Kathirgamanathan
Senior Advisor
Electricity Finance Branch, Corporate and Electricity Finance Division
Ontario Financing Authority
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From:	Shajee Kathirgamanathan
To:	John Kim; Gavin He
Subject:	RE: FHP Calculation *DRAFT*
Date:	Tuesday, April 24, 2018 3:06:04 PM

Yup. Looks good to me. If we're sending this up the line, I would also just delete the extra tabs and information that isn't necessary. Working on that now.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Tuesday, April 24, 2018 2:57 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

I took a shot….did I do that right? Didn't save it anywhere

From: Shajee Kathirgamanathan
Sent: Tuesday, April 24, 2018 2:35 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Sure

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Tuesday, April 24, 2018 2:35 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: FHP Calculation *DRAFT*

Could you update this with the latest?

Thanks,

John

From: Shajee Kathirgamanathan
Sent: Thursday, April 19, 2018 2:54 PM

To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Updated with Peak Debt

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Shajee Kathirgamanathan
Sent: Thursday, April 19, 2018 2:35 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: FHP Calculation *DRAFT*

I'll come by to discuss.

Thanks,
Shajee

Shajee Kathirgamanathan
Senior Advisor
Electricity Finance Branch, Corporate and Electricity Finance Division
Ontario Financing Authority
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From:	John Kim
To:	Shajee Kathirgamanathan; Gavin He
Subject:	RE: FHP Calculation *DRAFT*
Date:	Tuesday, April 24, 2018 2:56:41 PM
Attachments:	OFHP supporting data for OFA_v0.1._EFB-FinancingPlanUpdate_with SubDebtPriced.xlsx

I took a shot….did I do that right? Didn't save it anywhere

From: Shajee Kathirgamanathan
Sent: Tuesday, April 24, 2018 2:35 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Sure

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Tuesday, April 24, 2018 2:35 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: FHP Calculation *DRAFT*

Could you update this with the latest?

Thanks,

John

From: Shajee Kathirgamanathan
Sent: Thursday, April 19, 2018 2:54 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Updated with Peak Debt

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Shajee Kathirgamanathan
Sent: Thursday, April 19, 2018 2:35 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: FHP Calculation *DRAFT*

I'll come by to discuss.

Thanks,
Shajee

Shajee Kathirgamanathan
Senior Advisor
Electricity Finance Branch, Corporate and Electricity Finance Division
Ontario Financing Authority
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

NOTE: *Draft version for Comment. Inputs and assumptions may not be consistent with best information available.*

Attempted Recreation of Energy's Octo

INPUTS:

Calculation for Scenario Analysis		
Provincial Borrowing	3.71%	*<-- Change this number to test differ*
Basis Points	00 bp	*<-- Number used for scenario analys*
Total (Interest Rate)	3.7119%	
Model Circularity	ON	

OUTPUTS:

Interest Calculation		
Interest Rate:	3.71%	
Year Interest Payments Stop:	~~2047~~	*<-- To Be Update*
Total Interest Paid:	11,368	*NOTE: Calculations do not match En*
Peak Debt:	18,569	

SENSITIVITIES: *Determine sensitivites at various rates*

		Total Interest Paid
Provincial Borrowing	Provincial Borrowing +	Provincial Borrowing +
11,368	0 bp	30 bp
3.12%	8,542	9,885
3.50%	10,275	11,857
3.75%	11,578	13,362
4.00%	13,047	15,075
4.25%	14,716	17,030
4.50%	16,619	19,200

Sensitivites and difference compared to provincial borrowing

	Difference in Interest Paid Compared to Provin	
	Provincial Borrowing + 0 bp	Provincial Borrowing + 30 bp
3.12%	-	1,343
3.50%	-	1,582
3.75%	-	1,784
4.00%	-	2,028
4.25%	-	2,314
4.50%	-	2,580

ISSUANCE ANALYSIS:

		Weighted Average Borrowing Calcul
Tranche A - Senior Debt	51%	FHT:
Tranche B - Sub Debt	39%	OPG via Province
Tranche C - Jr. Sub Debt	10%	OPG via Province & Cap Mkts

WEIGHTED AVERAGE:

FHT Weighted Average Rate:	3.712%	
FHT Interest Paid	11,368	
Peak Debt:	18,569	
Provincial Borrowing at Issuance:	3.20%	*Source: OFA*
Provincial Interest Paid:	8,887	
Peak Debt:	17,752	
Difference in Interest Paid:	**2,481**	
Difference in Peak Debt:	**817**	

ɔber 19 Analysis by EFB

ɾent interest rates
ɨs

ergy's methodology exactly in Developing FAA/RA. Subject to updates and refinement.

Provincial Borrowing + 40 bp	Provincial Borrowing + 50 bp
10,374	10,879
12,432	13,047
14,017	14,716
15,821	16,619
17,874	18,750
20,124	21,083

cial Borrowing:	
Provincial Borrowing + 40 bp	Provincial Borrowing + 50 bp
1,832	2,337
2,156	2,771
2,439	3,138
2,774	3,573
3,158	4,034
3,505	4,464

ation	
3.520%	*Source: Debt Issuance*
3.83%	*Source: National Bank of Canada - Indicative Pricing (20yr)*
4.21%	*Source: National Bank of Canada - Indicative Pricing (20yr)*

3.712%

INPUTS:

Calculation for Scenario Analysis	
Provincial Borrowing	4.50%
Basis Points	00 bp
Total (Interest Rate)	4.50%

OUTPUTS:

Interest Calculation	
Interest Rate:	4.50%
Year Interest Payments Stop:	2047
Total Interest Paid:	14,308
Peak Debt:	17,612
Annual Paydown Amount:	(1,278)

SCENARIOS:

	3.12%	
Interest Rate:	3.12%	
Year Interest Payments Stop:	2047	
Total Interest Paid:	9,038	
Peak Debt:	16,348	
Annual Paydown Amount:	(1,038)	
Difference in Interest Paid:		1,4

Scenario Analysis with EFB Model

3.12% + 40bp	4.50%	4.5% + 50bp
3.52%	4.50%	5.00%
2047	2047	2047
10,477	14,308	16,438
16,705	17,612	18,093
(1,104)	(1,278)	(1,375)
39	2,130	

OFHP debt and interest projections, by calendar year

$ nominal million	2017
FAA w/ Interest, Fees, Readjustment Principle Recovery, Readjustment*	(1,396)
Interest Paid	32
Closing Debt Balance	1,428

*Delta between IESO GA cost forecast and Total GA paid by ratepayer, inclusive of interest
Notes: model assumes interest rate of 4.5% and data is exclusive of OPG financing fees

Date: October 19, 2017
Source: Ministry of Energy

Attempted recreation by EFB ($ nominal Million)

Interest:
Year Interest Payments Stop:
Total Interest Paid - Positive:
Peak Debt:

	2017
*FAA w/ Interest, Fees, Readjustment Principle Recovery, Readjustment** ***(Exactly from above)***	1,396
Interest Paid (attempted recreation) [EFB Calculation]	26
Closing Debt Balance [EFB Calculation]	1,423
	-5.74

Attempted recreation and extrapolation by EFB ($ nominal Million)

Interest:
Year Interest Payments Stop:
Total Interest Paid - Positive:
Peak Debt:

	2017

*FAA w/ Interest, Fees, Readjustment Principle Recovery, Readjustment**	
(Exactly from above)	1,396
Reduction	
Opening Debt:	0
IN YEAR ANALYSIS	
In-Year Interest:	29
In-Year Accumulated Debt (Excl Interest):	1,396
In-Year - End Debt:	1,425
Debt Interest from Prior Year:	0
Total Accumulated Interest:	29
Accumulated Debt:	1,396
Debt Reduction:	
Closing Debt:	1,425

	2018	2019	2020	2021	2022
	(2,189)	(2,296)	(2,414)	(2,204)	(1,700)
	116	225	343	466	577
	3,734	6,254	9,011	11,681	13,958

3.71%
2047
11,368
18,569

	2018	**2019**	**2020**	**2021**	**2022**
	2,189	2,296	2,414	2,204	1,700
					Additional Borrowing/F
	95	184	280	378	466
	3,707	6,186	8,879	11,461	13,627
	-26.68	***-67.79***	***-131.64***	***-219.70***	***-330.96***

4.50%
2047
14,308
17,612

	2018	**2019**	**2020**	**2021**	**2022**

2,189	2,296	2,414	2,204	1,700
1,425	3,724	6,235	8,980	11,634
46	48	50	46	36
2,189	2,296	2,414	2,204	1,700
2,235	2,344	2,464	2,250	1,736
64	168	281	404	524
110	216	331	450	559
3,614	6,020	8,649	11,184	13,334
3,724	6,235	8,980	11,634	13,894

2023	2024	2025	2026	2027
(1,050)	(492)	(61)	79	129
667	733	778	814	851
15,674	16,899	17,677	18,491	19,342

2023	**2024**	**2025**	**2026**	**2027**
1,050	492	61	(79)	(129)
	Cross Over Point:	(61)		
	Borrrowing Still Required:		79	129
Repayments [Reason Unknown, Plug]:				
535	585	616	639	664
15,212	16,289	16,905	17,544	18,207
-462.45	***-610.73***	***-772.66***	***-947.11***	***-1134.84***

2023	**2024**	**2025**	**2026**	**2027**

1,050	492	61		
			-1278	-1278
13,894	15,591	16,794	17,612	17,127
22	10	1	0	0
1,050	492	61	0	0
1,072	502	62	0	0
625	702	756	793	771
647	712	757	793	771
14,944	16,083	16,855	17,612	17,127
			(1,278)	(1,278)
15,591	16,794	17,612	17,127	16,620

2028	2029	2030	2031	2032
354	714	1,251	1,188	1,348
883	896	888	872	854
19,904	19,904	19,541	19,226	18,732

2028	**2029**	**2030**	**2031**	**2032**
(354)	(714)	(1,251)	(1,188)	(1,348)
33.45	(182)			
683	685	671	650	627
18,569	18,359	17,779	17,241	16,520
-1335.34	***-1545.69***	***-1762.53***	***-1984.85***	***-2212.33***

2028	**2029**	**2030**	**2031**	**2032**

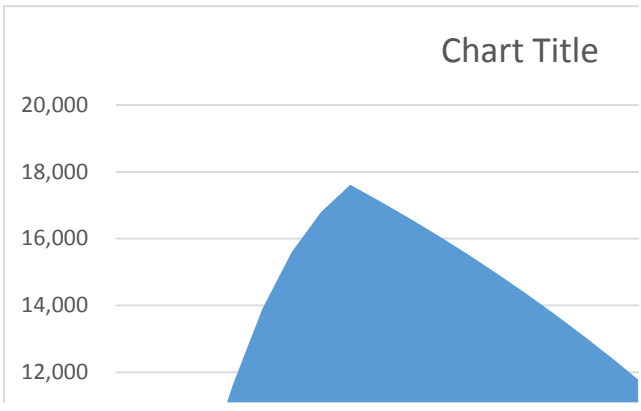
-1278	-1278	-1278	-1278	-1278
16,620	16,090	15,537	14,958	14,354
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
748	724	699	673	646
748	724	699	673	646
16,620	16,090	15,537	14,958	14,354
(1,278)	(1,278)	(1,278)	(1,278)	(1,278)
16,090	15,537	14,958	14,354	13,722

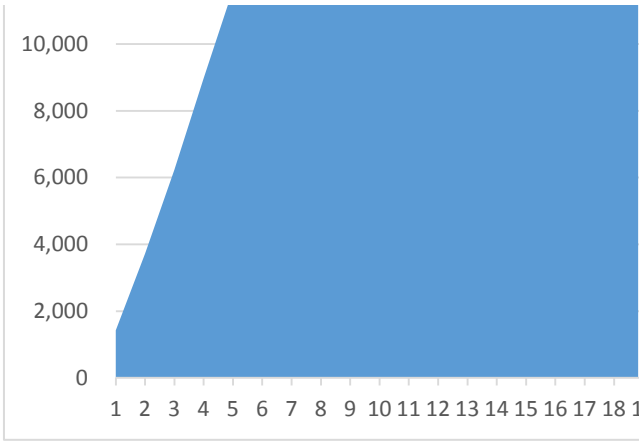
2033	2034	2035	2036	2037
1,419	1,901	2,087	2,128	2,062
830	791	736	673	607
18,143	17,033	15,682	14,227	12,773

2033	**2034**	**2035**	**2036**	**2037**
(1,419)	(1,901)	(2,087)	(2,128)	(2,062)
598	558	503	443	380
15,698	14,356	12,772	11,087	9,405
-2444.06	***-2677.73***	***-2910.37***	***-3140.53***	***-3367.72***

2033	**2034**	**2035**	**2036**	**2037**

-1278	-1278	-1278	-1278	-1278
13,722	13,062	12,372	11,651	10,897
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
617	588	557	524	490
617	588	557	524	490
13,722	13,062	12,372	11,651	10,897
(1,278)	(1,278)	(1,278)	(1,278)	(1,278)
13,062	12,372	11,651	10,897	10,110




10,000
8,000
6,000
4,000
2,000
0
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 1

2038	2039	2040	2041	2042
2,099	1,796	1,527	1,392	1,379
540	475	420	372	326
11,214	9,893	8,786	7,766	6,713

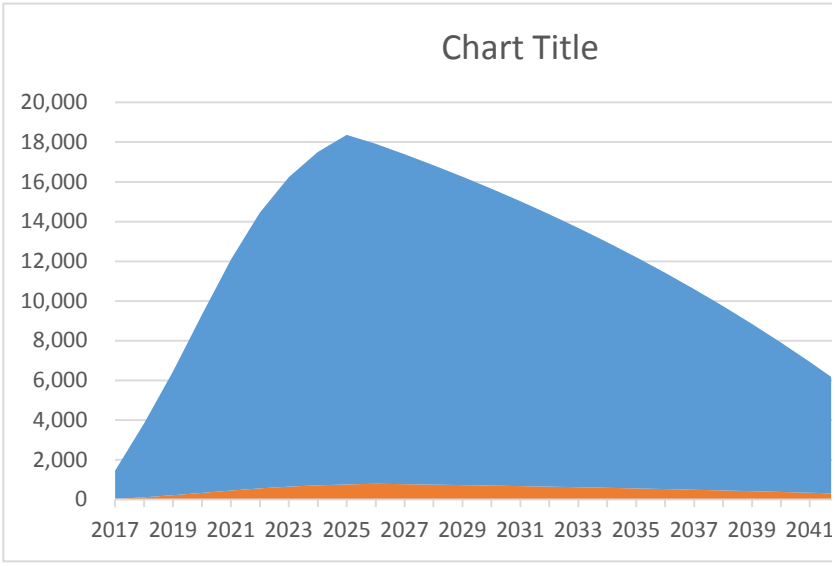


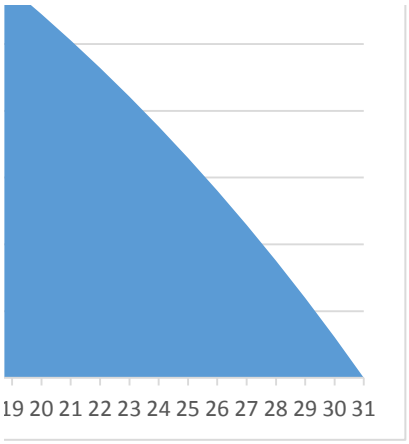
2038	**2039**	**2040**	**2041**	**2042**
(2,099)	(1,796)	(1,527)	(1,392)	(1,379)
316	254	201	153	107
7,622	6,081	4,755	3,516	2,244
-3591.40	***-3811.97***	***-4031.14***	***-4250.06***	***-4468.94***



2038	**2039**	**2040**	**2041**	**2042**

-1278	-1278	-1278	-1278	-1278
10,110	9,287	8,427	7,529	6,590
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
455	418	379	339	297
455	418	379	339	297
10,110	9,287	8,427	7,529	6,590
(1,278)	(1,278)	(1,278)	(1,278)	(1,278)
9,287	8,427	7,529	6,590	5,609




19 20 21 22 23 24 25 26 27 28 29 30 31

2043	2044	2045	2046	2047
1,310	1,341	1,357	1,526	2,034
279	231	179	121	45
5,682	4,571	3,394	1,989	0

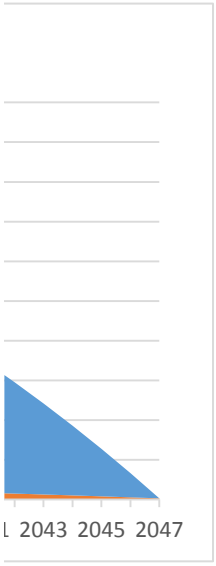


2043	**2044**	**2045**	**2046**	**2047**
(1,310)	(1,341)	(1,357)	(1,526)	(2,034)
60	12	(38)	(94)	(165)
994	(335)	(1,730)	(3,350)	(5,549)
-4687.72	***-4906.18***	***-5123.72***	***-5339.11***	***-5549.02***



2043	**2044**	**2045**	**2046**	**2047**	**2048**	**2049**

-1278	-1278	-1278	-1278	-1278	-1278	-1278
5,609	4,584	3,512	2,393	1,223	0	(1,278)
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
252	206	158	108	55	0	(57)
252	206	158	108	55	0	(57)
5,609	4,584	3,512	2,393	1,223	0	(1,278)
(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)
4,584	3,512	2,393	1,223	0	(1,278)	(2,613)



2050	2051	2052	2053	2054	2055	2056	2057	2058

-1278	-1278	-1278	-1278	-1278	-1278	-1278	-1278	-1278
(2,613)	(4,008)	(5,466)	(6,990)	(8,582)	(10,246)	(11,985)	(13,802)	(15,700)
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
(118)	(180)	(246)	(315)	(386)	(461)	(539)	(621)	(707)
(118)	(180)	(246)	(315)	(386)	(461)	(539)	(621)	(707)
(2,613)	(4,008)	(5,466)	(6,990)	(8,582)	(10,246)	(11,985)	(13,802)	(15,700)
(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)
(4,008)	(5,466)	(6,990)	(8,582)	(10,246)	(11,985)	(13,802)	(15,700)	(17,685)

2059	2060	2061	2062	2063	2064	2065

-1278	-1278
(17,685)	(19,758)
0	0
0	0
0	0
(796)	(889)
(796)	(889)
(17,685)	(19,758)
(1,278)	(1,278)
(19,758)	(21,925)

Instructions: An updated projection of the annual cost of the refinancing portion of the Fa

Please contact Matt Gurham (mgurham@fao-on.org) if assistance is required.

Actual and Projected Annual Global Adjustment (GA) Deferral and Repayment Amount Cash Flows

$ millions
IESO forecast Global Adjustment cost *
Global Adjustment payment from ratepayer **

* Represents total GA prior to OFHP based on IESO's forecast of total GA for all customers (2017-203
** Represents total OFHP costs recovered from consumers, including deferral of GA and recovery of

Provincial Actual and Projected Fair Hydro Plan Debt

$ millions
Amount borrowed/paid-back in given year***
Interest**** ~~on accumulated debt from previous year~~
Accumulated Debt

***Values represent deferral of GA costs and recovery of principal.
****Interest is calculated based on the average debt balance for the year and a 5 per cent interest ra
This data was used to inform the Minister's letter to OPG.

OPG Actual and Projected Fair Hydro Plan Debt

$ million
Amount borrowed/paid-back in given year
Interest on accumulated debt from previous year
Accumulated Debt

Equity Injection Comparisons

Revised Annual Borrowings
Equity Injection (44%)

Revised Equity Injections - Fiscalized
EFB Equity Injection Calculation based on FAA (September 28 2017 Letter)
Variance

IOD Comparisons

Revised Equity Injections - Fiscalized
OEP forecast as of Feb 6, 2018
Interest Rate Forecast

IOD
2017-18
2018-19
2019-20
2020-21
Total Estimated IOD Impact

EFB Equity Injection Calculation based on FAA (September 28 2017 Letter)
OEP forecast as of Feb 6, 2018
Interest Rate Forecast

IOD
2017-18
2018-19
2019-20
2020-21
Total Estimated IOD Impact

Variance in IOD Impacts

ıir Hydro Plan.

2017	2018	2019	2020	2021	2022	2023
10,078	10,144	10,801	10,576	9,671	9,471	8,733
8,682	7,955	8,505	8,162	7,467	7,771	7,683

:5) which informed the 2017 LTEP, converted by the Ministry from $2017 to $nominal by assuming 2% CPI
principal, interest and fees.

2017	2018	2019	2020	2021	2022	2023
-1,448	-2,322	-2,553	-2,808	-2,740	-2,363	-1,819
52	133	257	394	536	663	769
1,448	3,770	6,323	9,131	11,871	14,234	16,053

ate over the 30-year life of the program, and includes associated fees.

2017	2018	2019	2020	2021	2022	2023

2017	2018	2019	2020	2021	2022	2023
1,448	2,322	2,553	2,808	2,740	2,363	1,819
637	1022	1123	1235	1206	1040	800

2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
893	1047	1151	1228	1164	980	748
853	979	1023	1035	911	675	402
40	69	128	193	253	305	346

2017-18	2018-19	2019-20	2020-21
893	1,047	1,151	1,228
rrowing Rate	OEP	OEP	20-Year Average
2.4%	3.4%	4.0%	4.4%
11	21	21	21
	18	35	35
		23	46
			27
11	**39**	**80**	**130**
853	979	1,023	1,035
rrowing Rate	OEP	OEP	20-Year Average
2.4%	3.4%	4.0%	4.4%
10	20	20	20
	16	33	33
		21	41
			23
10	**37**	**74**	**117**
0	**2**	**6**	**13**

2024	2025	2026	2027	2028	2029	2030
9,917	8,924	9,908	10,169	10,300	9,978	9,472
9,425	8,924	9,908	10,169	11,297	11,009	10,877

and extrapolated post-2035 based on the average rate of change between 2026-2035.

2024	2025	2026	2027	2028	2029	2030
-1,342	-907	-954	-1,004	-33	0	385
850	907	954	1,004	1,030	1,031	1,021
17,395	18,301	19,255	20,259	20,292	20,292	19,907

2024	2025	2026	2027	2028	2029	2030

2024	2025	2026	2027	2028	2029	2030
1,342	907	954	1,004	33	0	-385
590	399	420	442	15	0	-169

2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
542	404	425	335	11	-42	-164
152	-51	-112	-159	-270	-444	-604
390	455	537	494	281	402	440

2031	2032	2033	2034	2035	2036	2037
8,449	8,344	7,445	6,252	4,771	4,417	4,089
9,789	9,840	9,009	8,291	6,988	6,666	6,262

2031	2032	2033	2034	2035	2036	2037
337	515	611	1,131	1,372	1,477	1,476
1,003	981	952	908	845	772	697
19,570	19,055	18,444	17,313	15,941	14,464	12,988

2031	2032	2033	2034	2035	2036	2037

2031	2032	2033	2034	2035	2036	2037
-337	-515	-611	-1,131	-1,372	-1,477	-1,476
-148	-227	-269	-498	-604	-650	-650

2031-32	2032-33	2033-34	2034-35	2035-36	2036-37	2037-38
-168	-237	-326	-524	-615	-650	-661
-609	-664	-745	-913	-977	-980	-960
442	427	419	389	362	330	299

2038	2039	2040	2041	2042	2043	2044
3,785	3,504	3,244	3,003	2,780	2,574	2,383
5,985	5,392	4,855	4,474	4,230	3,948	3,780

2038	2039	2040	2041	2042	2043	2044
1,580	1,343	1,128	1,041	1,075	1,053	1,132
620	545	483	429	375	321	265
11,408	10,065	8,937	7,895	6,821	5,768	4,636

2038	2039	2040	2041	2042	2043	2044

2038	2039	2040	2041	2042	2043	2044
-1,580	-1,343	-1,128	-1,041	-1,075	-1,053	-1,132
-695	-591	-496	-458	-473	-463	-498

2038-39	2039-40	2040-41	2041-42	2042-43	2043-44	2044-45
-669	-567	-487	-462	-470	-472	-505
-930	-801	-695	-646	-629	-608	-615
261	234	208	184	159	137	110

2045	2046	2047	2048
2,206	2,042	1,891	1,750
3,611	3,608	3,952	1,750

2045	2046	2047	2048
1,199	1,427	2,010	0
206	139	51	0
3,437	2,010	0	0

2045	2046	2047	2048

2045	2046	2047	2048
-1,199	-1,427	-2,010	0
-528	-628	-885	0

2045-46	2046-47	2047-48
-553	-692	-663
-637	-748	-675
85	56	11

Actual and Projected Annual Global Adjustment (GA) Deferral and Repayme

$ millions	**2017**	**2018**
IESO forecast Global A	10,078	10,144
Global Adjustment pay	8,682	7,955

* Represents total GA prior to OFHP based on IESO's forecast of total GA for a
** Represents total OFHP costs recovered from consumers, including deferral

Deferral	1,396	2,189
	52	133
Annual Borrowings	1,448	2,322
TOTAL	1,448	3,770
	0.03719145	0.060789592
	0.035857845	0.035294613
	0.03719145	0.036585899
	0.0358578446	0.0510000000
	0.0371914498	0.0537407798
	0.0371914498	0.0523345305
	5%	
Recalculation	1,396	2,189
	52	130
	1,448	2,319
	1,448	3,768

nt Amount Cash Flows

2019	2020	2021	2022
10,801	10,576	9,671	9,471
8,505	8,162	7,467	7,771

ll customers (2017-2035) which informed the 2017 LTEP, converted by the Ministry from $2017 to $nominal by
of GA and recovery of principal, interest and fees.

2,296	2,414	2,204	1,700
257	394	536	663
2,553	2,808	2,740	2,363
6,323	9,131	11,871	14,234
0.112122144	0.163279846	0.242946991	0.390032973
0.040704571	0.043159126	0.045114332	0.046583166
0.042431736	0.045105856	0.047245794	0.048859181
0.0510000000	0.0510000000	0.0510000000	0.0508000000
0.0537407798	0.0537407798	0.0537407798	0.0535187526
0.0523345305	0.0523345305	0.0523345305	0.0521239483
	0.050837963		
2,296	2,414	2,204	1,700
252	386	524	651
2,548	2,799	2,728	2,351
6,315	9,115	11,843	14,194

2023	2024	2025	2026
8,733	9,917	8,924	9,908
7,683	9,425	8,924	9,908

y assuming 2% CPI and extrapolated post-2035 based on the average rate of change between 2026-2035.

1,050	492	0	0
769	850	907	954
1,819	1,342	907	954
16,053	17,395	18,301	19,255
0.73265484	1.72677531	#DIV/0!	#DIV/0!
0.047921434	0.048841011	0.049541642	0.049541642
0.050333487	0.051348946	0.052123948	0.052123948
0.0508000000	0.0508000000	0.0508000000	0.0508000000
0.0535187526	0.0535187526	0.0535187526	0.0535187526
0.0521239483	0.0521239483	0.0521239483	0.0521239483
1,050	492	0	0
755	833	888	934
1,805	1,325	888	934
15,999	17,324	18,212	19,146

2027	2028	2029	2030
10,169	10,300	9,978	9,472
10,169	11,297	11,009	10,877

0	-997	-1,031	-1,406
1,004	1,030	1,031	1,021
1,004	33	0	-385
20,259	20,292	20,292	19,907
#DIV/0!	-1.033303874	-1	-0.726329513
0.052123948	0.053472634	0.053518753	0.054063854
0.0508000000	0.0508000000	0.0508000000	0.0508000000
0.0535187526	0.0535187526	0.0535187526	0.0535187526
0.0521239483	0.0521239483	0.0521239483	0.0521239483
0	-997	-1,031	-1,406
982	1007	1006	995
982	10	-25	-410
20,128	20,138	20,113	19,703

2031	2032	2033	2034
8,449	8,344	7,445	6,252
9,789	9,840	9,009	8,291

-1,340	-1,496	-1,564	-2,039
1,003	981	952	908
-337	-515	-611	-1,131
19,570	19,055	18,444	17,313
-0.748423197	-0.655724615	-0.609140601	
0.054004521	0.054281378	0.054453742	0.055363212
0.0508000000	0.0508000000	0.0508000000	0.0508000000
0.0535187526	0.0535187526	0.0535187526	0.0535187526
0.0521239483	0.0521239483	0.0521239483	0.0521239483
-1,340	-1,496	-1,564	-2,039
976	953	924	879
-364	-543	-640	-1,160
19,339	18,796	18,156	16,996

2035	2036	2037	2038
4,771	4,417	4,089	3,785
6,988	6,666	6,262	5,985

-2,217	-2,249	-2,173	-2,200
845	772	697	620
-1,372	-1,477	-1,476	-1,580
15,941	14,464	12,988	11,408

0.055951526			
0.0508000000	0.0508000000	0.0508000000	0.0508000000
0.0535187526	0.0535187526	0.0535187526	0.0535187526
0.0521239483	0.0521239483	0.0521239483	0.0521239483

-2,217	-2,249	-2,173	-2,200
815	742	667	589
-1,402	-1,507	-1,507	-1,611
15,594	14,087	12,580	10,968

2039	2040	2041	2042
3,504	3,244	3,003	2,780
5,392	4,855	4,474	4,230

-1,888	-1,611	-1,471	-1,450
545	483	429	375
-1,343	-1,128	-1,041	-1,075
10,065	8,937	7,895	6,821

0.0508000000	0.0508000000	0.0510000000	0.0510000000
0.0535187526	0.0535187526	0.0537407798	0.0537407798
0.0521239483	0.0521239483	0.0523345305	0.0523345305

-1,888	-1,611	-1,471	-1,450
514	451	395	340
-1,374	-1,160	-1,076	-1,110
9,595	8,434	7,358	6,249

2043	2044	2045	2046
2,574	2,383	2,206	2,042
3,948	3,780	3,611	3,608

-1,374	-1,397	-1,405	-1,565
321	265	206	139
-1,053	-1,132	-1,199	-1,427
5,768	4,636	3,437	2,010

0.0510000000	0.0510000000	0.0510000000	0.0510000000
0.0537407798	0.0537407798	0.0537407798	0.0537407798
0.0523345305	0.0523345305	0.0523345305	0.0523345305

-1,374	-1,397	-1,405	-1,565
285	229	169	101
-1,088	-1,168	-1,236	-1,464
5,160	3,992	2,756	1,291

2047	2048
1,891	1,750
3,952	1,750

-2,062	0
51	0
-2,010	0
0	0

0.0510000000	0.0000000000
0.0537407798	0.0000000000
0.0523345305	0.0000000000

-2,062	0
13	-39
-2,048	-39
-757	-796

From:	John Kim
To:	Shajee Kathirgamanathan; Gavin He
Subject:	RE: FHP Calculation *DRAFT*
Date:	Tuesday, April 24, 2018 2:35:47 PM

Thanks, on this one, I will send it up.

From: Shajee Kathirgamanathan
Sent: Tuesday, April 24, 2018 2:35 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Sure

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Tuesday, April 24, 2018 2:35 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: FHP Calculation *DRAFT*

Could you update this with the latest?

Thanks,

John

From: Shajee Kathirgamanathan
Sent: Thursday, April 19, 2018 2:54 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Updated with Peak Debt

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Shajee Kathirgamanathan
Sent: Thursday, April 19, 2018 2:35 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: FHP Calculation *DRAFT*

I'll come by to discuss.

Thanks,
Shajee

Shajee Kathirgamanathan
Senior Advisor
Electricity Finance Branch, Corporate and Electricity Finance Division
Ontario Financing Authority
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From:	Shajee Kathirgamanathan
To:	John Kim; Gavin He
Subject:	RE: FHP Calculation *DRAFT*
Date:	Tuesday, April 24, 2018 2:35:08 PM

Sure

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Tuesday, April 24, 2018 2:35 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: FHP Calculation *DRAFT*

Could you update this with the latest?

Thanks,

John

From: Shajee Kathirgamanathan
Sent: Thursday, April 19, 2018 2:54 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Updated with Peak Debt

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Shajee Kathirgamanathan
Sent: Thursday, April 19, 2018 2:35 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: FHP Calculation *DRAFT*

I'll come by to discuss.

Thanks,
Shajee

Shajee Kathirgamanathan
Senior Advisor

Electricity Finance Branch, Corporate and Electricity Finance Division
Ontario Financing Authority
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From:	Shajee Kathirgamanathan
To:	John Kim
Subject:	RE: FHP Calculation *DRAFT*
Date:	Thursday, April 19, 2018 2:54:34 PM
Attachments:	OFHP supporting data for OFA_v0.1._EFB-FinancingPlanUpdate.xlsx

Updated with Peak Debt

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Shajee Kathirgamanathan
Sent: Thursday, April 19, 2018 2:35 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: FHP Calculation *DRAFT*

I'll come by to discuss.

Thanks,
Shajee

Shajee Kathirgamanathan
Senior Advisor
Electricity Finance Branch, Corporate and Electricity Finance Division
Ontario Financing Authority
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

NOTE: *Draft version for Comment. Inputs and assumptions may not be consistent with best information available.*

Attempted Recreation of Energy's Octo

INPUTS:

Calculation for Scenario Analysis		
Provincial Borrowing	3.66%	*<-- Change this number to test differ*
Basis Points	00 bp	*<-- Number used for scenario analys*
Total (Interest Rate)	3.6602%	
Model Circularity	ON	

OUTPUTS:

Interest Calculation		
Interest Rate:	3.66%	
Year Interest Payments Stop:	~~2047~~	*<-- To Be Update*
Total Interest Paid:	11,088	*NOTE: Calculations do not match En*
Peak Debt:	18,485	

SENSITIVITIES: *Determine sensitivites at various rates*

		Total Interest Paid
Provincial Borrowing	Provincial Borrowing +	Provincial Borrowing +
11,088	0 bp	30 bp
3.12%	8,542	9,885
3.50%	10,275	11,857
3.75%	11,578	13,362
4.00%	13,047	15,075
4.25%	14,716	17,030
4.50%	16,619	19,200

Sensitivites and difference compared to provincial borrowing

	Difference in Interest Paid Compared to Provin	
	Provincial Borrowing + 0 bp	Provincial Borrowing + 30 bp
3.12%	-	1,343
3.50%	-	1,582
3.75%	-	1,784
4.00%	-	2,028
4.25%	-	2,314
4.50%	-	2,580

ISSUANCE ANALYSIS:

		Weighted Average Borrowing Calcul
Tranche A - Senior Debt	51%	FHT:
Tranche B - Sub Debt	39%	OPG via Province
Tranche C - Jr. Sub Debt	10%	OPG via Province & Cap Mkts

WEIGHTED AVERAGE:

FHT Weighted Average Rate:	3.660%
FHT Interest Paid	11,088
Peak Debt:	18,485
Provincial Borrowing at Issuance:	3.20% *Source: OFA*
Provincial Interest Paid:	8,887
Peak Debt:	17,752
Difference in Interest Paid:	**2,201**
Difference in Peak Debt:	**733**

ɔber 19 Analysis by EFB

ɾent interest rates
ɨs

ergy's methodology exactly in Developing FAA/RA. Subject to updates and refinement.

Provincial Borrowing + 40 bp	Provincial Borrowing + 50 bp
10,374	10,879
12,432	13,047
14,017	14,716
15,821	16,619
17,874	18,750
20,124	21,083

cial Borrowing:	
Provincial Borrowing + 40 bp	Provincial Borrowing + 50 bp
1,832	2,337
2,156	2,771
2,439	3,138
2,774	3,573
3,158	4,034
3,505	4,464

ation	
3.520%	*Source: Debt Issuance*
3.74%	*Source: National Bank of Canada - Indicative Pricing (20yr)*
4.04%	*Source: National Bank of Canada - Indicative Pricing (20yr)*

3.660%

INPUTS:

Calculation for Scenario Analysis	
Provincial Borrowing	4.50%
Basis Points	00 bp
Total (Interest Rate)	4.50%

OUTPUTS:

Interest Calculation	
Interest Rate:	4.50%
Year Interest Payments Stop:	2047
Total Interest Paid:	14,308
Peak Debt:	17,612
Annual Paydown Amount:	(1,278)

SCENARIOS:

	3.12%	
Interest Rate:	3.12%	
Year Interest Payments Stop:	2047	
Total Interest Paid:	9,038	
Peak Debt:	16,348	
Annual Paydown Amount:	(1,038)	
Difference in Interest Paid:		1,4

Scenario Analysis with EFB Model

3.12% + 40bp	4.50%	4.5% + 50bp
3.52%	4.50%	5.00%
2047	2047	2047
10,477	14,308	16,438
16,705	17,612	18,093
(1,104)	(1,278)	(1,375)
39	2,130	

OFHP debt and interest projections, by calendar year

$ nominal million	2017
FAA w/ Interest, Fees, Readjustment Principle Recovery, Readjustment*	(1,396)
Interest Paid	32
Closing Debt Balance	1,428

*Delta between IESO GA cost forecast and Total GA paid by ratepayer, inclusive of interest
Notes: model assumes interest rate of 4.5% and data is exclusive of OPG financing fees

Date: October 19, 2017
Source: Ministry of Energy

Attempted recreation by EFB ($ nominal Million)

Interest:
Year Interest Payments Stop:
Total Interest Paid - Positive:
Peak Debt:

	2017
*FAA w/ Interest, Fees, Readjustment Principle Recovery, Readjustment** ***(Exactly from above)***	1,396
Interest Paid (attempted recreation) [EFB Calculation]	26
Closing Debt Balance [EFB Calculation]	1,422

-6.11

Attempted recreation and extrapolation by EFB ($ nominal Million)

Interest:
Year Interest Payments Stop:
Total Interest Paid - Positive:
Peak Debt:

2017

*FAA w/ Interest, Fees, Readjustment Principle Recovery, Readjustment**	
(Exactly from above)	1,396
Reduction	
Opening Debt:	0
IN YEAR ANALYSIS	
In-Year Interest:	29
In-Year Accumulated Debt (Excl Interest):	1,396
In-Year - End Debt:	1,425
Debt Interest from Prior Year:	0
Total Accumulated Interest:	29
Accumulated Debt:	1,396
Debt Reduction:	
Closing Debt:	1,425

	2018	2019	2020	2021	2022
	(2,189)	(2,296)	(2,414)	(2,204)	(1,700)
	116	225	343	466	577
	3,734	6,254	9,011	11,681	13,958

3.66%
2047
11,088
18,485

	2018	**2019**	**2020**	**2021**	**2022**
	2,189	2,296	2,414	2,204	1,700
					Additional Borrowing/F
	94	181	275	372	458
	3,705	6,182	8,871	11,447	13,605
	-28.42	***-72.19***	***-140.17***	***-233.90***	***-352.28***

4.50%
2047
14,308
17,612

	2018	**2019**	**2020**	**2021**	**2022**

2,189	2,296	2,414	2,204	1,700
1,425	3,724	6,235	8,980	11,634
46	48	50	46	36
2,189	2,296	2,414	2,204	1,700
2,235	2,344	2,464	2,250	1,736
64	168	281	404	524
110	216	331	450	559
3,614	6,020	8,649	11,184	13,334
3,724	6,235	8,980	11,634	13,894

2023	2024	2025	2026	2027
(1,050)	(492)	(61)	79	129
667	733	778	814	851
15,674	16,899	17,677	18,491	19,342

2023	**2024**	**2025**	**2026**	**2027**
1,050	492	61	(79)	(129)
	Cross Over Point:	(61)		
	Borrrowing Still Required:		79	129
Repayments [Reason Unknown, Plug]:				
527	575	606	628	652
15,182	16,249	16,855	17,484	18,136
-492.16	***-649.83***	***-821.94***	***-1007.29***	***-1206.66***

2023	**2024**	**2025**	**2026**	**2027**

1,050	492	61		
			-1278	-1278
13,894	15,591	16,794	17,612	17,127
22	10	1	0	0
1,050	492	61	0	0
1,072	502	62	0	0
625	702	756	793	771
647	712	757	793	771
14,944	16,083	16,855	17,612	17,127
			(1,278)	(1,278)
15,591	16,794	17,612	17,127	16,620

2028	2029	2030	2031	2032
354	714	1,251	1,188	1,348
883	896	888	872	854
19,904	19,904	19,541	19,226	18,732

2028	**2029**	**2030**	**2031**	**2032**
(354)	(714)	(1,251)	(1,188)	(1,348)
33.45	(182)			
670	673	658	637	613
18,485	18,262	17,669	17,117	16,383
-1419.51	***-1642.71***	***-1872.67***	***-2108.30***	***-2349.26***

2028	**2029**	**2030**	**2031**	**2032**

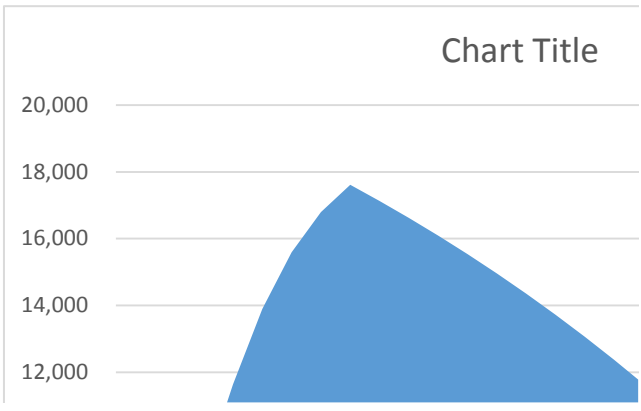
-1278	-1278	-1278	-1278	-1278
16,620	16,090	15,537	14,958	14,354
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
748	724	699	673	646
748	724	699	673	646
16,620	16,090	15,537	14,958	14,354
(1,278)	(1,278)	(1,278)	(1,278)	(1,278)
16,090	15,537	14,958	14,354	13,722

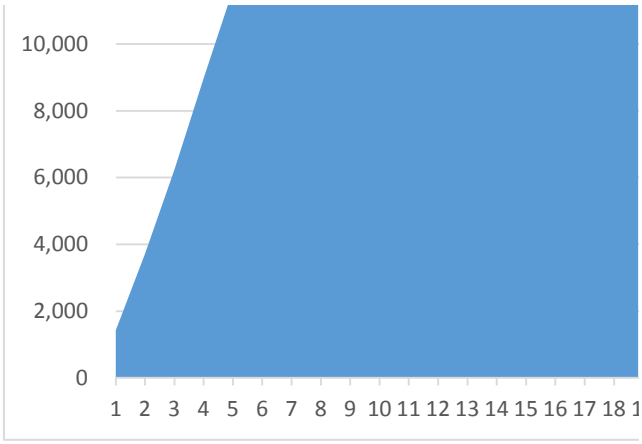
2033	2034	2035	2036	2037
1,419	1,901	2,087	2,128	2,062
830	791	736	673	607
18,143	17,033	15,682	14,227	12,773

2033	**2034**	**2035**	**2036**	**2037**
(1,419)	(1,901)	(2,087)	(2,128)	(2,062)
584	544	490	430	368
15,548	14,192	12,595	10,897	9,202
-2594.57	***-2841.76***	***-3087.64***	***-3330.69***	***-3570.36***

2033	**2034**	**2035**	**2036**	**2037**

-1278	-1278	-1278	-1278	-1278
13,722	13,062	12,372	11,651	10,897
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
617	588	557	524	490
617	588	557	524	490
13,722	13,062	12,372	11,651	10,897
(1,278)	(1,278)	(1,278)	(1,278)	(1,278)
13,062	12,372	11,651	10,897	10,110




10,000
8,000
6,000
4,000
2,000
0
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 1

2038	2039	2040	2041	2042
2,099	1,796	1,527	1,392	1,379
540	475	420	372	326
11,214	9,893	8,786	7,766	6,713

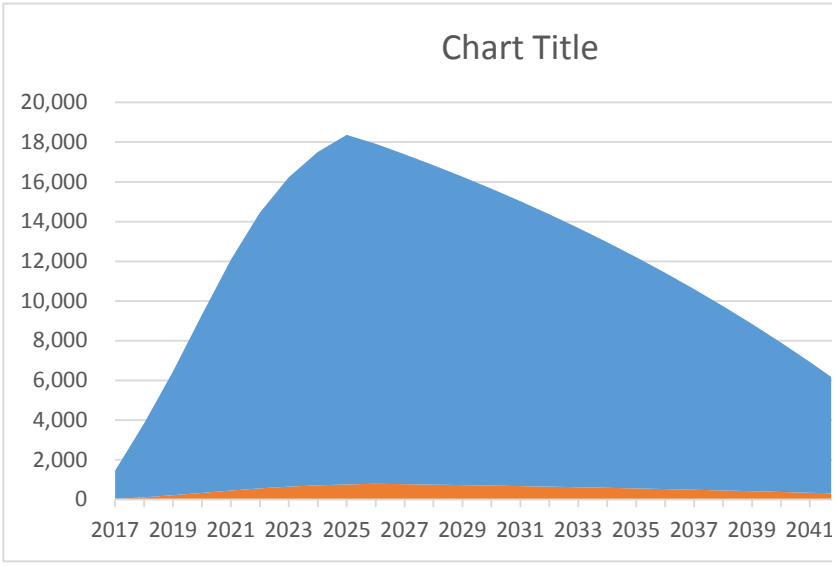


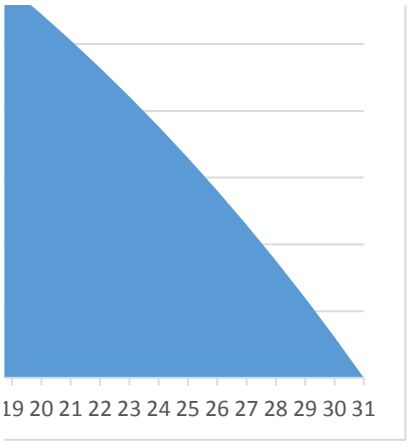
2038	**2039**	**2040**	**2041**	**2042**
(2,099)	(1,796)	(1,527)	(1,392)	(1,379)
304	243	190	142	96
7,408	5,854	4,517	3,267	1,985
-3806.07	***-4038.25***	***-4268.71***	***-4498.66***	***-4728.32***



2038	**2039**	**2040**	**2041**	**2042**

-1278	-1278	-1278	-1278	-1278
10,110	9,287	8,427	7,529	6,590
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
455	418	379	339	297
455	418	379	339	297
10,110	9,287	8,427	7,529	6,590
(1,278)	(1,278)	(1,278)	(1,278)	(1,278)
9,287	8,427	7,529	6,590	5,609




19 20 21 22 23 24 25 26 27 28 29 30 31

2043	2044	2045	2046	2047
1,310	1,341	1,357	1,526	2,034
279	231	179	121	45
5,682	4,571	3,394	1,989	0

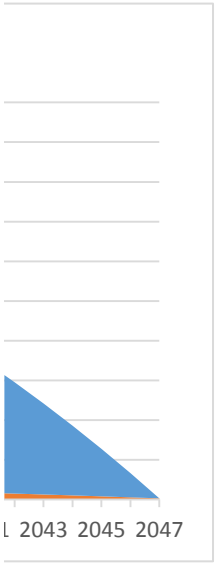


2043	**2044**	**2045**	**2046**	**2047**
(1,310)	(1,341)	(1,357)	(1,526)	(2,034)
50	2	(48)	(104)	(174)
724	(615)	(2,020)	(3,650)	(5,857)
-4957.63	***-5186.32***	***-5413.76***	***-5638.63***	***-5857.37***



2043	**2044**	**2045**	**2046**	**2047**	**2048**	**2049**

-1278	-1278	-1278	-1278	-1278	-1278	-1278
5,609	4,584	3,512	2,393	1,223	0	(1,278)
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
252	206	158	108	55	0	(57)
252	206	158	108	55	0	(57)
5,609	4,584	3,512	2,393	1,223	0	(1,278)
(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)
4,584	3,512	2,393	1,223	0	(1,278)	(2,613)



2050	2051	2052	2053	2054	2055	2056	2057	2058

-1278	-1278	-1278	-1278	-1278	-1278	-1278	-1278	-1278
(2,613)	(4,008)	(5,466)	(6,990)	(8,582)	(10,246)	(11,985)	(13,802)	(15,700)
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
(118)	(180)	(246)	(315)	(386)	(461)	(539)	(621)	(707)
(118)	(180)	(246)	(315)	(386)	(461)	(539)	(621)	(707)
(2,613)	(4,008)	(5,466)	(6,990)	(8,582)	(10,246)	(11,985)	(13,802)	(15,700)
(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)
(4,008)	(5,466)	(6,990)	(8,582)	(10,246)	(11,985)	(13,802)	(15,700)	(17,685)

2059	2060	2061	2062	2063	2064	2065

-1278	-1278
(17,685)	(19,758)
0	0
0	0
0	0
(796)	(889)
(796)	(889)
(17,685)	(19,758)
(1,278)	(1,278)
(19,758)	(21,925)

Instructions: An updated projection of the annual cost of the refinancing portion of the Fa

Please contact Matt Gurham (mgurham@fao-on.org) if assistance is required.

Actual and Projected Annual Global Adjustment (GA) Deferral and Repayment Amount Cash Flows

$ millions
IESO forecast Global Adjustment cost *
Global Adjustment payment from ratepayer **

* Represents total GA prior to OFHP based on IESO's forecast of total GA for all customers (2017-203
** Represents total OFHP costs recovered from consumers, including deferral of GA and recovery of

Provincial Actual and Projected Fair Hydro Plan Debt

$ millions
Amount borrowed/paid-back in given year***
Interest**** ~~on accumulated debt from previous year~~
Accumulated Debt

***Values represent deferral of GA costs and recovery of principal.
****Interest is calculated based on the average debt balance for the year and a 5 per cent interest ra
This data was used to inform the Minister's letter to OPG.

OPG Actual and Projected Fair Hydro Plan Debt

$ million
Amount borrowed/paid-back in given year
Interest on accumulated debt from previous year
Accumulated Debt

Equity Injection Comparisons

Revised Annual Borrowings
Equity Injection (44%)

Revised Equity Injections - Fiscalized
EFB Equity Injection Calculation based on FAA (September 28 2017 Letter)
Variance

IOD Comparisons

Revised Equity Injections - Fiscalized
OEP forecast as of Feb 6, 2018
Interest Rate Forecast

IOD
2017-18
2018-19
2019-20
2020-21
Total Estimated IOD Impact

EFB Equity Injection Calculation based on FAA (September 28 2017 Letter)
OEP forecast as of Feb 6, 2018
Interest Rate Forecast

IOD
2017-18
2018-19
2019-20
2020-21
Total Estimated IOD Impact

Variance in IOD Impacts

ıir Hydro Plan.

2017	2018	2019	2020	2021	2022	2023
10,078	10,144	10,801	10,576	9,671	9,471	8,733
8,682	7,955	8,505	8,162	7,467	7,771	7,683

:5) which informed the 2017 LTEP, converted by the Ministry from $2017 to $nominal by assuming 2% CPI
principal, interest and fees.

2017	2018	2019	2020	2021	2022	2023
-1,448	-2,322	-2,553	-2,808	-2,740	-2,363	-1,819
52	133	257	394	536	663	769
1,448	3,770	6,323	9,131	11,871	14,234	16,053

ate over the 30-year life of the program, and includes associated fees.

2017	2018	2019	2020	2021	2022	2023

2017	2018	2019	2020	2021	2022	2023
1,448	2,322	2,553	2,808	2,740	2,363	1,819
637	1022	1123	1235	1206	1040	800

2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
893	1047	1151	1228	1164	980	748
853	979	1023	1035	911	675	402
40	69	128	193	253	305	346

2017-18	2018-19	2019-20	2020-21
893	1,047	1,151	1,228
rrowing Rate	OEP	OEP	20-Year Average
2.4%	3.4%	4.0%	4.4%
11	21	21	21
	18	35	35
		23	46
			27
11	**39**	**80**	**130**
853	979	1,023	1,035
rrowing Rate	OEP	OEP	20-Year Average
2.4%	3.4%	4.0%	4.4%
10	20	20	20
	16	33	33
		21	41
			23
10	**37**	**74**	**117**
0	**2**	**6**	**13**

2024	2025	2026	2027	2028	2029	2030
9,917	8,924	9,908	10,169	10,300	9,978	9,472
9,425	8,924	9,908	10,169	11,297	11,009	10,877

and extrapolated post-2035 based on the average rate of change between 2026-2035.

2024	2025	2026	2027	2028	2029	2030
-1,342	-907	-954	-1,004	-33	0	385
850	907	954	1,004	1,030	1,031	1,021
17,395	18,301	19,255	20,259	20,292	20,292	19,907

2024	2025	2026	2027	2028	2029	2030

2024	2025	2026	2027	2028	2029	2030
1,342	907	954	1,004	33	0	-385
590	399	420	442	15	0	-169

2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
542	404	425	335	11	-42	-164
152	-51	-112	-159	-270	-444	-604
390	455	537	494	281	402	440

2031	2032	2033	2034	2035	2036	2037
8,449	8,344	7,445	6,252	4,771	4,417	4,089
9,789	9,840	9,009	8,291	6,988	6,666	6,262

2031	2032	2033	2034	2035	2036	2037
337	515	611	1,131	1,372	1,477	1,476
1,003	981	952	908	845	772	697
19,570	19,055	18,444	17,313	15,941	14,464	12,988

2031	2032	2033	2034	2035	2036	2037

2031	2032	2033	2034	2035	2036	2037
-337	-515	-611	-1,131	-1,372	-1,477	-1,476
-148	-227	-269	-498	-604	-650	-650

2031-32	2032-33	2033-34	2034-35	2035-36	2036-37	2037-38
-168	-237	-326	-524	-615	-650	-661
-609	-664	-745	-913	-977	-980	-960
442	427	419	389	362	330	299

2038	2039	2040	2041	2042	2043	2044
3,785	3,504	3,244	3,003	2,780	2,574	2,383
5,985	5,392	4,855	4,474	4,230	3,948	3,780

2038	2039	2040	2041	2042	2043	2044
1,580	1,343	1,128	1,041	1,075	1,053	1,132
620	545	483	429	375	321	265
11,408	10,065	8,937	7,895	6,821	5,768	4,636

2038	2039	2040	2041	2042	2043	2044

2038	2039	2040	2041	2042	2043	2044
-1,580	-1,343	-1,128	-1,041	-1,075	-1,053	-1,132
-695	-591	-496	-458	-473	-463	-498

2038-39	2039-40	2040-41	2041-42	2042-43	2043-44	2044-45
-669	-567	-487	-462	-470	-472	-505
-930	-801	-695	-646	-629	-608	-615
261	234	208	184	159	137	110

2045	2046	2047	2048
2,206	2,042	1,891	1,750
3,611	3,608	3,952	1,750

2045	2046	2047	2048
1,199	1,427	2,010	0
206	139	51	0
3,437	2,010	0	0

2045	2046	2047	2048

2045	2046	2047	2048
-1,199	-1,427	-2,010	0
-528	-628	-885	0

2045-46	2046-47	2047-48
-553	-692	-663
-637	-748	-675
85	56	11

Actual and Projected Annual Global Adjustment (GA) Deferral and Repayme

$ millions	**2017**	**2018**
IESO forecast Global A	10,078	10,144
Global Adjustment pay	8,682	7,955

* Represents total GA prior to OFHP based on IESO's forecast of total GA for a
** Represents total OFHP costs recovered from consumers, including deferral

Deferral	1,396	2,189
	52	133
Annual Borrowings	1,448	2,322
TOTAL	1,448	3,770
	0.03719145	0.060789592
	0.035857845	0.035294613
	0.03719145	0.036585899
	0.0358578446	0.0510000000
	0.0371914498	0.0537407798
	0.0371914498	0.0523345305
	5%	
Recalculation	1,396	2,189
	52	130
	1,448	2,319
	1,448	3,768

nt Amount Cash Flows

2019	2020	2021	2022
10,801	10,576	9,671	9,471
8,505	8,162	7,467	7,771

ll customers (2017-2035) which informed the 2017 LTEP, converted by the Ministry from $2017 to $nominal by
of GA and recovery of principal, interest and fees.

2,296	2,414	2,204	1,700
257	394	536	663
2,553	2,808	2,740	2,363
6,323	9,131	11,871	14,234
0.112122144	0.163279846	0.242946991	0.390032973
0.040704571	0.043159126	0.045114332	0.046583166
0.042431736	0.045105856	0.047245794	0.048859181
0.0510000000	0.0510000000	0.0510000000	0.0508000000
0.0537407798	0.0537407798	0.0537407798	0.0535187526
0.0523345305	0.0523345305	0.0523345305	0.0521239483
	0.050837963		
2,296	2,414	2,204	1,700
252	386	524	651
2,548	2,799	2,728	2,351
6,315	9,115	11,843	14,194

2023	2024	2025	2026
8,733	9,917	8,924	9,908
7,683	9,425	8,924	9,908

y assuming 2% CPI and extrapolated post-2035 based on the average rate of change between 2026-2035.

1,050	492	0	0
769	850	907	954
1,819	1,342	907	954
16,053	17,395	18,301	19,255
0.73265484	1.72677531	#DIV/0!	#DIV/0!
0.047921434	0.048841011	0.049541642	0.049541642
0.050333487	0.051348946	0.052123948	0.052123948
0.0508000000	0.0508000000	0.0508000000	0.0508000000
0.0535187526	0.0535187526	0.0535187526	0.0535187526
0.0521239483	0.0521239483	0.0521239483	0.0521239483
1,050	492	0	0
755	833	888	934
1,805	1,325	888	934
15,999	17,324	18,212	19,146

2027	2028	2029	2030
10,169	10,300	9,978	9,472
10,169	11,297	11,009	10,877

0	-997	-1,031	-1,406
1,004	1,030	1,031	1,021
1,004	33	0	-385
20,259	20,292	20,292	19,907
#DIV/0!	-1.033303874	-1	-0.726329513
0.052123948	0.053472634	0.053518753	0.054063854
0.0508000000	0.0508000000	0.0508000000	0.0508000000
0.0535187526	0.0535187526	0.0535187526	0.0535187526
0.0521239483	0.0521239483	0.0521239483	0.0521239483
0	-997	-1,031	-1,406
982	1007	1006	995
982	10	-25	-410
20,128	20,138	20,113	19,703

2031	2032	2033	2034
8,449	8,344	7,445	6,252
9,789	9,840	9,009	8,291

-1,340	-1,496	-1,564	-2,039
1,003	981	952	908
-337	-515	-611	-1,131
19,570	19,055	18,444	17,313
-0.748423197	-0.655724615	-0.609140601	
0.054004521	0.054281378	0.054453742	0.055363212
0.0508000000	0.0508000000	0.0508000000	0.0508000000
0.0535187526	0.0535187526	0.0535187526	0.0535187526
0.0521239483	0.0521239483	0.0521239483	0.0521239483
-1,340	-1,496	-1,564	-2,039
976	953	924	879
-364	-543	-640	-1,160
19,339	18,796	18,156	16,996

2035	2036	2037	2038
4,771	4,417	4,089	3,785
6,988	6,666	6,262	5,985

-2,217	-2,249	-2,173	-2,200
845	772	697	620
-1,372	-1,477	-1,476	-1,580
15,941	14,464	12,988	11,408

0.055951526			
0.0508000000	0.0508000000	0.0508000000	0.0508000000
0.0535187526	0.0535187526	0.0535187526	0.0535187526
0.0521239483	0.0521239483	0.0521239483	0.0521239483

-2,217	-2,249	-2,173	-2,200
815	742	667	589
-1,402	-1,507	-1,507	-1,611
15,594	14,087	12,580	10,968

2039	2040	2041	2042
3,504	3,244	3,003	2,780
5,392	4,855	4,474	4,230

-1,888	-1,611	-1,471	-1,450
545	483	429	375
-1,343	-1,128	-1,041	-1,075
10,065	8,937	7,895	6,821

0.0508000000	0.0508000000	0.0510000000	0.0510000000
0.0535187526	0.0535187526	0.0537407798	0.0537407798
0.0521239483	0.0521239483	0.0523345305	0.0523345305

-1,888	-1,611	-1,471	-1,450
514	451	395	340
-1,374	-1,160	-1,076	-1,110
9,595	8,434	7,358	6,249

2043	2044	2045	2046
2,574	2,383	2,206	2,042
3,948	3,780	3,611	3,608

-1,374	-1,397	-1,405	-1,565
321	265	206	139
-1,053	-1,132	-1,199	-1,427
5,768	4,636	3,437	2,010

0.0510000000	0.0510000000	0.0510000000	0.0510000000
0.0537407798	0.0537407798	0.0537407798	0.0537407798
0.0523345305	0.0523345305	0.0523345305	0.0523345305

-1,374	-1,397	-1,405	-1,565
285	229	169	101
-1,088	-1,168	-1,236	-1,464
5,160	3,992	2,756	1,291

2047	2048
1,891	1,750
3,952	1,750

-2,062	0
51	0
-2,010	0
0	0

0.0510000000	0.0000000000
0.0537407798	0.0000000000
0.0523345305	0.0000000000

-2,062	0
13	-39
-2,048	-39
-757	-796

From:	Shajee Kathirgamanathan
To:	John Kim; Gavin He
Subject:	RE: FHP Calculation *DRAFT*
Date:	Tuesday, April 24, 2018 3:32:30 PM
Attachments:	OFHP supporting data for OFA_v0.1._EFB-FinancingPlanUpdate_v2.xlsx

Yes. Please see revised v2.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Tuesday, April 24, 2018 3:32 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

I saved the v1a with interest delta of 2.481. Is that right?

From: John Kim
Sent: Tuesday, April 24, 2018 3:30 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

I don't think you updated the front page.

From: Shajee Kathirgamanathan
Sent: Tuesday, April 24, 2018 3:20 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Hi,

Please see attached and found here:
S:\Users\CEF\Hydro 2018\Fair Hydro Plan\Financing\Interest Payment Calculation

We can send this up the line asap.

However it may take a bit of time, but we can also think about how to integrate historical information as well to do the prediction in some way/fashion.

Thanks,
Shajee

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Tuesday, April 24, 2018 3:06 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Ok, thanks.

From: Shajee Kathirgamanathan
Sent: Tuesday, April 24, 2018 3:06 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Yup. Looks good to me. If we're sending this up the line, I would also just delete the extra tabs and information that isn't necessary. Working on that now.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Tuesday, April 24, 2018 2:57 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

I took a shot….did I do that right? Didn't save it anywhere

From: Shajee Kathirgamanathan
Sent: Tuesday, April 24, 2018 2:35 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Sure

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim

Sent: Tuesday, April 24, 2018 2:35 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: FHP Calculation *DRAFT*

Could you update this with the latest?

Thanks,

John

From: Shajee Kathirgamanathan
Sent: Thursday, April 19, 2018 2:54 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: FHP Calculation *DRAFT*

Updated with Peak Debt

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Shajee Kathirgamanathan
Sent: Thursday, April 19, 2018 2:35 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: FHP Calculation *DRAFT*

I'll come by to discuss.

Thanks,
Shajee

Shajee Kathirgamanathan
Senior Advisor
Electricity Finance Branch, Corporate and Electricity Finance Division
Ontario Financing Authority
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

NOTE: *Draft version for Comment. Inputs and assumptions may not be consistent with best information available.*

Attempted Recreation of Energy's Octo

INPUTS:

Calculation for Scenario Analysis		
Provincial Borrowing	3.71%	*<-- Change this number to test differ*
Basis Points	00 bp	*<-- Number used for scenario analys*
Total (Interest Rate)	3.7119%	
Model Circularity	ON	

OUTPUTS:

Interest Calculation		
Interest Rate:	3.71%	
Year Interest Payments Stop:	2045	
Total Interest Paid:	11,368	*NOTE: Calculations do not match En*
Peak Debt:	18,569	

SENSITIVITIES: *Determine sensitivites at various rates*

		Total Interest Paid
Provincial Borrowing	Provincial Borrowing +	Provincial Borrowing +
11,368	0 bp	30 bp
3.12%	8,542	9,885
3.50%	10,275	11,857
3.75%	11,578	13,362
4.00%	13,047	15,075
4.25%	14,716	17,030
4.50%	16,619	19,200

Sensitivites and difference compared to provincial borrowing

	Difference in Interest Paid Compared to Provin	
	Provincial Borrowing + 0 bp	Provincial Borrowing + 30 bp
3.12%	-	1,343
3.50%	-	1,582
3.75%	-	1,784
4.00%	-	2,028
4.25%	-	2,314
4.50%	-	2,580

ISSUANCE ANALYSIS:

		Weighted Average Borrowing Calcul
Tranche A - Senior Debt	51%	FHT:
Tranche B - Sub Debt	39%	OPG via Province
Tranche C - Jr. Sub Debt	10%	OPG via Province & Cap Mkts

WEIGHTED AVERAGE:

FHT Weighted Average Rate:	3.712%	
FHT Interest Paid	11,368	
Peak Debt:	18,569	
Provincial Borrowing at Issuance:	3.20%	*Source: OFA*
Provincial Interest Paid:	8,887	
Peak Debt:	17,752	
Difference in Interest Paid:	**2,481**	
Difference in Peak Debt:	**817**	

ɔber 19 Analysis by EFB

ɾent interest rates
ɪs

ergy's methodology exactly in Developing FAA/RA. Subject to updates and refinement.

Provincial Borrowing + 40 bp	Provincial Borrowing + 50 bp
10,374	10,879
12,432	13,047
14,017	14,716
15,821	16,619
17,874	18,750
20,124	21,083

cial Borrowing:	
Provincial Borrowing + 40 bp	Provincial Borrowing + 50 bp
1,832	2,337
2,156	2,771
2,439	3,138
2,774	3,573
3,158	4,034
3,505	4,464

ation	
3.520%	*Source: Debt Issuance Document*
3.834%	*Source: Debt Issuance Document*
4.214%	*Source: Debt Issuance Document*

3.712%

OFHP debt and interest projections, by calendar year

$ nominal million	2017
FAA w/ Interest, Fees, Readjustment Principle Recovery, Readjustment*	(1,396)
Interest Paid	32
Closing Debt Balance	1,428

*Delta between IESO GA cost forecast and Total GA paid by ratepayer, inclusive of interest
Notes: model assumes interest rate of 4.5% and data is exclusive of OPG financing fees

Date: October 19, 2017
Source: Ministry of Energy

Attempted recreation by EFB ($ nominal Million)

Interest:
Year Interest Payments Stop:
Total Interest Paid - Positive:
Peak Debt:

	2017
*FAA w/ Interest, Fees, Readjustment Principle Recovery, Readjustment** ***(Exactly from above)***	1,396
Interest Paid (attempted recreation) [EFB Calculation]	26
Closing Debt Balance [EFB Calculation]	1,423
	-5.74

	2018	2019	2020	2021	2022
	(2,189)	(2,296)	(2,414)	(2,204)	(1,700)
	116	225	343	466	577
	3,734	6,254	9,011	11,681	13,958

3.71%

2045 *(note: array formula)*

11,368

18,569

	2018	**2019**	**2020**	**2021**	**2022**
	2,189	2,296	2,414	2,204	1,700
					Additional Borrowing/F
	95	184	280	378	466
	3,707	6,186	8,879	11,461	13,627
	-26.68	***-67.79***	***-131.64***	***-219.70***	***-330.96***

2023	2024	2025	2026	2027
(1,050)	(492)	(61)	79	129
667	733	778	814	851
15,674	16,899	17,677	18,491	19,342

2023	**2024**	**2025**	**2026**	**2027**
1,050	492	61	(79)	(129)
	Cross Over Point:	(61)		
	Borrrowing Still Required:		79	129
Repayments [Reason Unknown, Plug]:				
535	585	616	639	664
15,212	16,289	16,905	17,544	18,207
-462.45	***-610.73***	***-772.66***	***-947.11***	***-1134.84***

2028	2029	2030	2031	2032
354	714	1,251	1,188	1,348
883	896	888	872	854
19,904	19,904	19,541	19,226	18,732

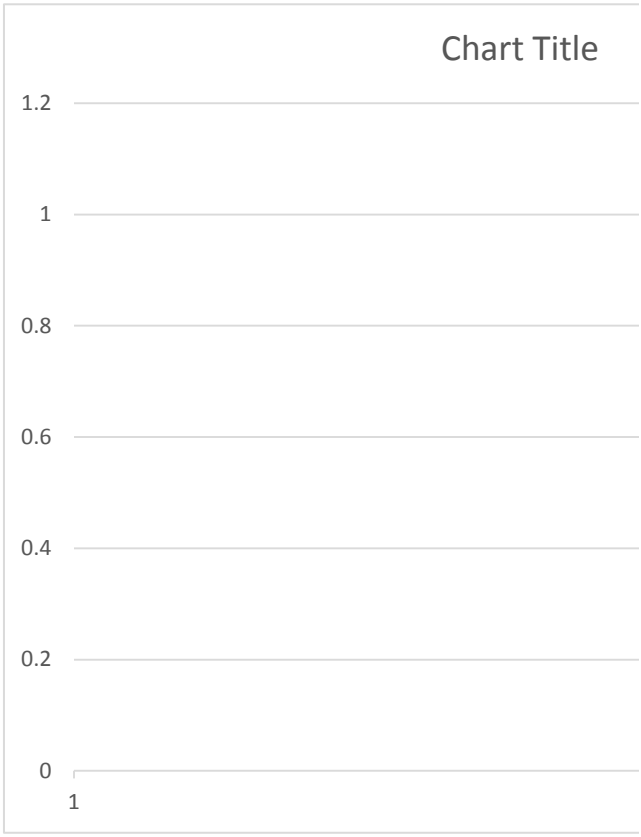


2028	**2029**	**2030**	**2031**	**2032**
(354)	(714)	(1,251)	(1,188)	(1,348)
33.45	(182)			
683	685	671	650	627
18,569	18,359	17,779	17,241	16,520
-1335.34	***-1545.69***	***-1762.53***	***-1984.85***	***-2212.33***

2033	2034	2035	2036	2037
1,419	1,901	2,087	2,128	2,062
830	791	736	673	607
18,143	17,033	15,682	14,227	12,773

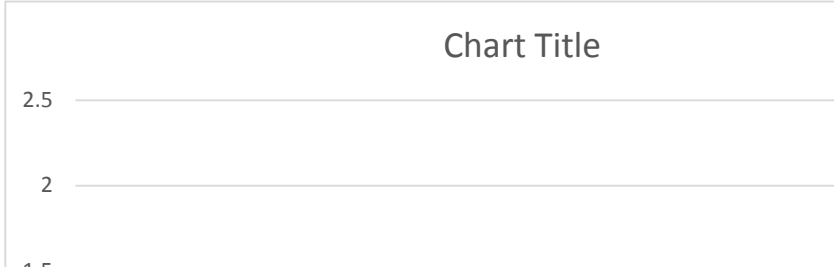


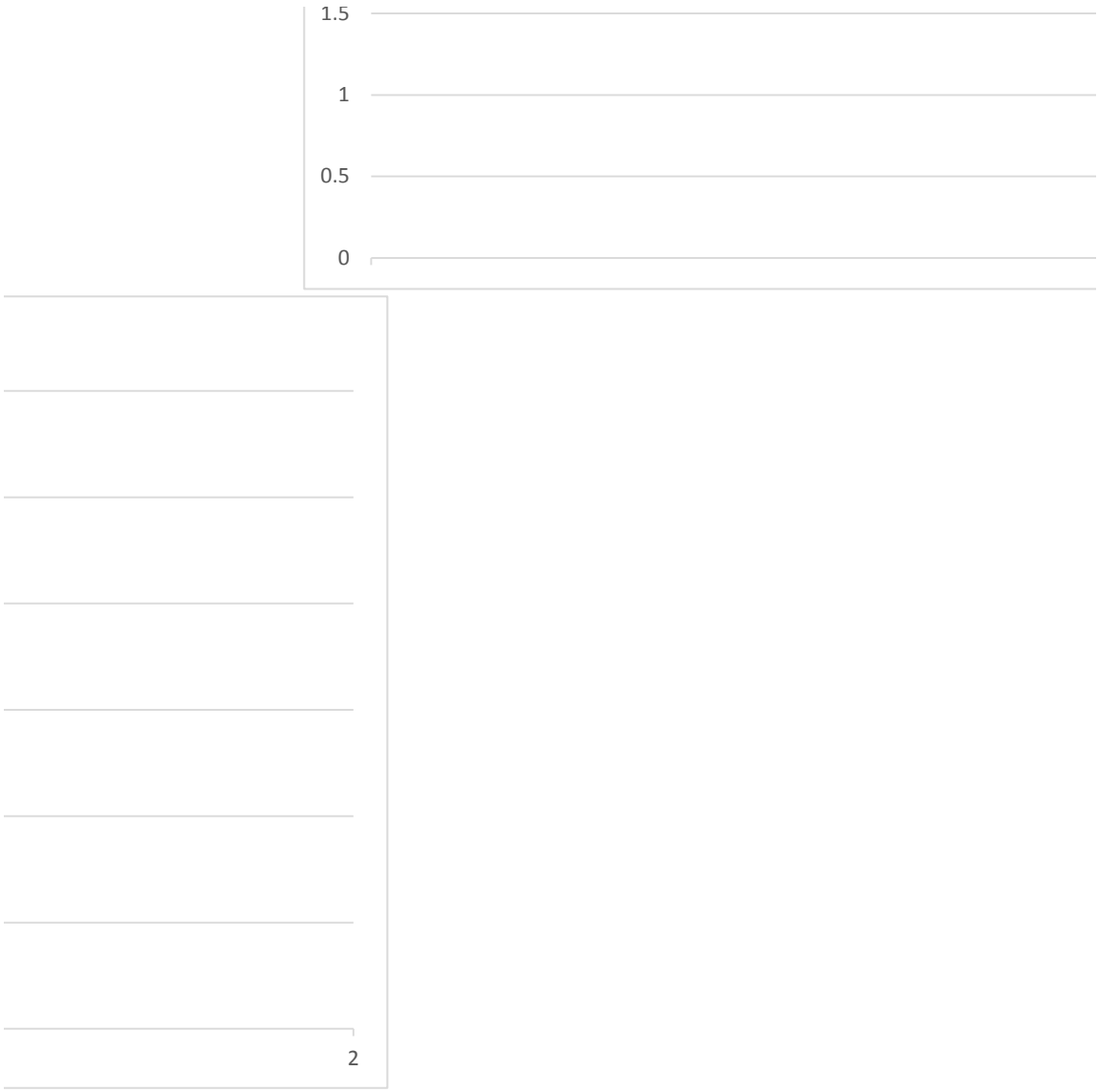
2033	**2034**	**2035**	**2036**	**2037**
(1,419)	(1,901)	(2,087)	(2,128)	(2,062)
598	558	503	443	380
15,698	14,356	12,772	11,087	9,405
-2444.06	***-2677.73***	***-2910.37***	***-3140.53***	***-3367.72***


Chart Title
1.2
1
0.8
0.6
0.4
0.2
0
1

2038	2039	2040	2041	2042
2,099	1,796	1,527	1,392	1,379
540	475	420	372	326
11,214	9,893	8,786	7,766	6,713

2038	**2039**	**2040**	**2041**	**2042**
(2,099)	(1,796)	(1,527)	(1,392)	(1,379)
316	254	201	153	107
7,622	6,081	4,755	3,516	2,244
-3591.40	***-3811.97***	***-4031.14***	***-4250.06***	***-4468.94***




1.5
1
0.5
0
2

2043	2044	2045	2046	2047
1,310	1,341	1,357	1,526	2,034
279	231	179	121	45
5,682	4,571	3,394	1,989	0



2043	**2044**	**2045**	**2046**	**2047**
(1,310)	(1,341)	(1,357)	(1,526)	(2,034)
60	12	(38)	(94)	(165)
994	(335)	(1,730)	(3,350)	(5,549)
-4687.72	***-4906.18***	***-5123.72***	***-5339.11***	***-5549.02***

From:	John Kim
To:	Bruno Amara
Cc:	Shajee Kathirgamanathan; Gavin He; Salman Qadir
Subject:	RE: FHP Investor
Date:	Wednesday, January 03, 2018 11:45:29 AM

I have questions about the Slide 20 (the Energy part) and the Slide 16 comment, re: circularity in True-Up

From: Bruno Amara
Sent: Wednesday, January 03, 2018 11:07 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: FHP Investor

Hi John

Further EFB comments added in green

Bruno

Bruno Amara
Sr. Manager, Financial and Regulatory Analysis
Electricity Finance Branch
Corporate and Electricity Finance Division
Ontario Financing Authority

Tel: 416-325-1489
Email: bruno.amara@ofina.on.ca

From:	John Kim
To:	Bruno Amara
Cc:	Shajee Kathirgamanathan; Gavin He; Salman Qadir
Subject:	RE: FHP Investor
Date:	Wednesday, January 03, 2018 11:46:16 AM

I meant – could someone stop by and explain?

From: John Kim
Sent: Wednesday, January 03, 2018 11:45 AM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: RE: FHP Investor

I have questions about the Slide 20 (the Energy part) and the Slide 16 comment, re: circularity in True-Up

From: Bruno Amara
Sent: Wednesday, January 03, 2018 11:07 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: FHP Investor

Hi John

Further EFB comments added in green

Bruno

Bruno Amara
Sr. Manager, Financial and Regulatory Analysis
Electricity Finance Branch
Corporate and Electricity Finance Division
Ontario Financing Authority

Tel: 416-325-1489
Email: bruno.amara@ofina.on.ca

From:	Christie, Tim (ENERGY)
To:	Shajee Kathirgamanathan
Cc:	John Kim
Subject:	RE: FHT Rates
Date:	Monday, June 04, 2018 10:01:42 AM

This is great, thanks a lot Shajee and John.

Tim

From: Kathirgamanathan,Shajee (OFA) [mailto:Shajee.Kathirgamanathan@ofina.on.ca]
Sent: June-01-18 2:16 PM
To: Christie, Tim (ENERGY) <Tim.Christie@ontario.ca>
Cc: Kim, John (OFA) <John.Kim@ofina.on.ca>
Subject: FHT Rates

Hi Tim,

Hope you're well. John asked me to forward the attached your way…

We've been tracking the interest rates charged for the Fair Hydro Trust debt (Senior, Sub, and Jr. Sub debt) and comparing them to provincial rates at the same issue date. We've also included adjustments to the rates for premiums/discounts of the debt and dealer commissions.

The attached excel file shows the weighted average cost of the Fair Hydro Debt (Columns Q and R) along with comparisons to provincial debt assuming 30 year maturities.

The Ontario Bond yields (Columns U to Y) are based on estimates we receive.

The file may be updated periodically so this is still a work in progress, but just wanted to send this your way for now.

Happy to discuss further or answer any questions.

Thanks,
Shajee

Shajee Kathirgamanathan
Senior Advisor
Electricity Finance Branch, Corporate and Electricity Finance Division
Ontario Financing Authority
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca[na01.safelinks.protection.outlook.com]

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain

information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: John Kim
To: Ronald Kwan
Subject: RE: Fair Hydro Trust -- Term Closing
Date: Wednesday, April 25, 2018 9:11:38 AM

Hi Ron,

Based on a complete survey provided by CMD, the spread used looks fine now. I think the survey I was provided was just National Bank's.

Thanks,

John

From: Ronald Kwan
Sent: Tuesday, April 24, 2018 9:16 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: Fair Hydro Trust -- Term Closing

Thanks John.

Ron

On Apr 24, 2018, at 9:06 PM, John Kim <John.Kim@ofina.on.ca> wrote:

> Sure, will do
>
> Sent from my iPad
>
> On Apr 24, 2018, at 6:33 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:
>
> > Hi John,
> >
> > Could you see if you can track this down. It might help with assessing the early info on future issuances too.
> >
> > Thanks,
> > Ron
> >
> > Begin forwarded message:
> >
> > **From:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> > **Date:** April 24, 2018 at 5:43:35 PM EDT
> > **To:** Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> > **Cc:** Anna Strathy <Anna.Strathy@ofina.on.ca>
> > **Subject: Re: Fair Hydro Trust -- Term Closing**
> >
> > Hi Gadi,

I passed on the email from John shortly after getting it, so he did not have that information. He was wondering if the survey provided on Friday was an incomplete sample at that time. I can see if he has had any success in getting a response.

Ron

From: Gadi Mayman
Sent: April 24, 2018 5:40 PM
To: Ronald Kwan
Cc: Anna Strathy
Subject: Re: Fair Hydro Trust -- Term Closing

Thanks. Did we get an answer as to why they priced it at a spread of 51.2 bpts instead of the dealer survey indication of 46 bpts?

Gadi

On Apr 24, 2018, at 3:46 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Hi Gadi,
>
> FYI.
>
> Ron
>
> Begin forwarded message:
>
> > **From:** John Kim <John.Kim@ofina.on.ca>
> > **Date:** April 24, 2018 at 3:33:59 PM EDT
> > **To:** Ronald Kwan

<Ronald.Kwan@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>, Gavin He <Gavin.He@ofina.on.ca>, Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: RE: Fair Hydro Trust -- Term Closing

Hi Ron,

So the spread seems to have widened from the dealer survey information the day of the senior debt issue. It was around 46bps but now in the attached actual, the spread averaged to 51.2bps. [Using the dealer email indicating 32bps from Ontario which implied 3.2% for Ontario.]

The difference in interest paid widened to 2.48bn (from the earlier prelim number we had of 2.2bn based on dealer survey numbers]. Naturally, we can ask why it widened.

Attached spreadsheet provides additional details, if you're interested.

Also, related to Gadi's inquiry last week and we have the actual rates for the sub debt issues.

Thanks,

John

From: Ronald Kwan
Sent: Tuesday, April 24, 2018 2:30 PM

To: John Kim <John.Kim@ofina.on.ca>
Subject: Fw: Fair Hydro Trust -- Term Closing

Hi,

Please review.

Ron

From: Anna Strathy
Sent: April 24, 2018 2:26 PM
To: Gadi Mayman; Ronald Kwan; Mike Manning; Ken Kandeepan
Cc: Usman Zahid; Opal Kandelas
Subject: FW: Fair Hydro Trust -- Term Closing

FYI

From: Krasic, Aida (MOF) [mailto:Aida.Krasic@ontario.ca]
Sent: Tuesday, April 24, 2018 1:06 PM
To: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Cc: David McLean (MOF) <David.McLean@ontario.ca>; Paul Dupuis (MOF) <Paul.Dupuis@ontario.ca>; Peter Spadoni (MCYS) <Peter.Spadoni@ontario.ca>; Cook, Karen (MOF) <Karen.Cook@ontario.ca>; Anna

Strathy
<Anna.Strathy@ofina.on.ca>
Subject: RE: Fair Hydro Trust -- Term Closing

Hello Male,

Please find attached fax that DMO received from TORYS LLP regarding the Fair Hydro Plan –Deliveries under Change of Law Process Agreement.

As per Paul's email from Feb 9th, I am copying all on this email as well.

Thanks

Aida

From: Dupuis, Paul (MOF)
Sent: February 9, 2018 10:35 AM
To: Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>
Cc: Krasic, Aida (MOF) <Aida.Krasic@ontario.ca>; McLean, David (MOF) <David.McLean@ontario.ca>; Spadoni, Peter (MOF) <Peter.Spadoni@ontario.ca>; Cook, Karen (MOF) <Karen.Cook@ontario.ca>
Subject: FW: Fair Hydro Trust -- Term Closing

This message has been archived. View the original

item

Hi Malle,

As requested please see attached. I have also copied Karen Cook (MO Office Mgr) and Peter Spadoni (Mgr of MoF Correspondence) as it may have also been sent to their fax machines as it i

Attachments:

image001.jpg	(5 KB)
FAX-Recd-2018-02-09_Torys-LLP_Fair-Hydro-Plan_Chg-of-Law-Process-Agreement.pdf	(1.3 MB)

<OFHP supporting data for OFA_v0.1._EFB-FinancingPlanUpdate_v2.xlsx>

From: John Kim
To: Ronald Kwan
Cc: Shajee Kathirgamanathan; Gavin He; Usman Zahid
Subject: RE: Fair Hydro Trust -- Term Closing
Date: Tuesday, April 24, 2018 4:34:37 PM

Hi Ron,

We will take a look. The earlier question, I believe we discussed on the phone.

Thanks,

John

From: Ronald Kwan
Sent: Tuesday, April 24, 2018 4:27 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: Re: Fair Hydro Trust -- Term Closing

Hi John,

Across the two issuances so far, what is the weighted average spread and what would that imply for the estimated difference in financing costs?

Thanks,
Ron

From: Ronald Kwan
Sent: April 24, 2018 4:12 PM
To: John Kim
Cc: Shajee Kathirgamanathan; Gavin He; Usman Zahid
Subject: Re: Fair Hydro Trust -- Term Closing

Hi John,

What drove the weighted average spread widening -- the sub-debt rates? Did we have the actual sub-debt rates last week, but we have them now?

Ron

From: John Kim
Sent: April 24, 2018 3:33 PM
To: Ronald Kwan
Cc: Shajee Kathirgamanathan; Gavin He; Usman Zahid
Subject: RE: Fair Hydro Trust -- Term Closing

Hi Ron,

So the spread seems to have widened from the dealer survey information the day of the senior debt issue. It was around 46bps but now in the attached actual, the spread averaged to 51.2bps. [Using the dealer email indicating 32bps from Ontario which implied 3.2% for Ontario.]

The difference in interest paid widened to 2.48bn (from the earlier prelim number we had of 2.2bn based on dealer survey numbers]. Naturally, we can ask why it widened.

Attached spreadsheet provides additional details, if you're interested.

Also, related to Gadi's inquiry last week and we have the actual rates for the sub debt issues.

Thanks,

John

From: Ronald Kwan
Sent: Tuesday, April 24, 2018 2:30 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Fw: Fair Hydro Trust -- Term Closing

Hi,

Please review.

Ron

From: Anna Strathy
Sent: April 24, 2018 2:26 PM
To: Gadi Mayman; Ronald Kwan; Mike Manning; Ken Kandeepan
Cc: Usman Zahid; Opal Kandelas
Subject: FW: Fair Hydro Trust -- Term Closing

FYI

From: Krasic, Aida (MOF) [mailto:Aida.Krasic@ontario.ca]

Sent: Tuesday, April 24, 2018 1:06 PM
To: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Cc: David McLean (MOF) <David.McLean@ontario.ca>; Paul Dupuis (MOF) <Paul.Dupuis@ontario.ca>; Peter Spadoni (MCYS) <Peter.Spadoni@ontario.ca>; Cook, Karen (MOF) <Karen.Cook@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: Fair Hydro Trust -- Term Closing

Hello Male,
Please find attached fax that DMO received from TORYS LLP regarding the Fair Hydro Plan –Deliveries under Change of Law Process Agreement.
As per Paul's email from Feb 9th, I am copying all on this email as well.
Thanks
Aida

From: Dupuis, Paul (MOF)
Sent: February 9, 2018 10:35 AM
To: Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>
Cc: Krasic, Aida (MOF) <Aida.Krasic@ontario.ca>; McLean, David (MOF) <David.McLean@ontario.ca>; Spadoni, Peter (MOF) <Peter.Spadoni@ontario.ca>; Cook, Karen (MOF) <Karen.Cook@ontario.ca>
Subject: FW: Fair Hydro Trust -- Term Closing

This message has been archived. View the original item
Hi Malle,

As requested please see attached. I have also copied Karen Cook (MO Office Mgr) and Peter Spadoni (Mgr of MoF Correspondence) as it may have also been sent to their fax machines as it i

Attachments:

image001.jpg	(5 KB)
FAX-Recd-2018-02-09_Torys-LLP_Fair-Hydro-Plan_Chg-of-Law-Process-Agreement.pdf	(1.3 MB)

From:	John Kim
To:	Ronald Kwan
Cc:	Shajee Kathirgamanathan; Gavin He; Usman Zahid
Subject:	RE: Fair Hydro Trust -- Term Closing
Date:	Tuesday, April 24, 2018 3:34:00 PM
Attachments:	OFHP supporting data for OFA_v0.1._EFB-FinancingPlanUpdate_v2.xlsx

Hi Ron,

So the spread seems to have widened from the dealer survey information the day of the senior debt issue. It was around 46bps but now in the attached actual, the spread averaged to 51.2bps. [Using the dealer email indicating 32bps from Ontario which implied 3.2% for Ontario.]

The difference in interest paid widened to 2.48bn (from the earlier prelim number we had of 2.2bn based on dealer survey numbers]. Naturally, we can ask why it widened.

Attached spreadsheet provides additional details, if you're interested.

Also, related to Gadi's inquiry last week and we have the actual rates for the sub debt issues.

Thanks,

John

From: Ronald Kwan
Sent: Tuesday, April 24, 2018 2:30 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Fw: Fair Hydro Trust -- Term Closing

Hi,

Please review.

Ron

From: Anna Strathy
Sent: April 24, 2018 2:26 PM
To: Gadi Mayman; Ronald Kwan; Mike Manning; Ken Kandeepan
Cc: Usman Zahid; Opal Kandelas
Subject: FW: Fair Hydro Trust -- Term Closing

FYI

From: Krasic, Aida (MOF) [mailto:Aida.Krasic@ontario.ca]

Sent: Tuesday, April 24, 2018 1:06 PM
To: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Cc: David McLean (MOF) <David.McLean@ontario.ca>; Paul Dupuis (MOF) <Paul.Dupuis@ontario.ca>; Peter Spadoni (MCYS) <Peter.Spadoni@ontario.ca>; Cook, Karen (MOF) <Karen.Cook@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: Fair Hydro Trust -- Term Closing

Hello Male,
Please find attached fax that DMO received from TORYS LLP regarding the Fair Hydro Plan –Deliveries under Change of Law Process Agreement.
As per Paul's email from Feb 9th, I am copying all on this email as well.
Thanks
Aida

From: Dupuis, Paul (MOF)
Sent: February 9, 2018 10:35 AM
To: Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>
Cc: Krasic, Aida (MOF) <Aida.Krasic@ontario.ca>; McLean, David (MOF) <David.McLean@ontario.ca>; Spadoni, Peter (MOF) <Peter.Spadoni@ontario.ca>; Cook, Karen (MOF) <Karen.Cook@ontario.ca>
Subject: FW: Fair Hydro Trust -- Term Closing

This message has been archived. View the original item
Hi Malle,

As requested please see attached. I have also copied Karen Cook (MO Office Mgr) and Peter Spadoni (Mgr of MoF Correspondence) as it may have also been sent to their fax machines as it i

Attachments:

image001.jpg	(5 KB)
FAX-Recd-2018-02-09_Torys-LLP_Fair-Hydro-Plan_Chg-of-Law-Process-Agreement.pdf	(1.3 MB)

NOTE: *Draft version for Comment. Inputs and assumptions may not be consistent with best information available.*

Attempted Recreation of Energy's Octo

INPUTS:

Calculation for Scenario Analysis		
Provincial Borrowing	3.71%	*<-- Change this number to test differ*
Basis Points	00 bp	*<-- Number used for scenario analys*
Total (Interest Rate)	3.7119%	
Model Circularity	ON	

OUTPUTS:

Interest Calculation		
Interest Rate:	3.71%	
Year Interest Payments Stop:	2045	
Total Interest Paid:	11,368	*NOTE: Calculations do not match En*
Peak Debt:	18,569	

SENSITIVITIES: *Determine sensitivites at various rates*

		Total Interest Paid
Provincial Borrowing	Provincial Borrowing +	Provincial Borrowing +
11,368	0 bp	30 bp
3.12%	8,542	9,885
3.50%	10,275	11,857
3.75%	11,578	13,362
4.00%	13,047	15,075
4.25%	14,716	17,030
4.50%	16,619	19,200

Sensitivites and difference compared to provincial borrowing

	Difference in Interest Paid Compared to Provin	
	Provincial Borrowing + 0 bp	Provincial Borrowing + 30 bp
3.12%	-	1,343
3.50%	-	1,582
3.75%	-	1,784
4.00%	-	2,028
4.25%	-	2,314
4.50%	-	2,580

ISSUANCE ANALYSIS:

		Weighted Average Borrowing Calcul
Tranche A - Senior Debt	51%	FHT:
Tranche B - Sub Debt	39%	OPG via Province
Tranche C - Jr. Sub Debt	10%	OPG via Province & Cap Mkts

WEIGHTED AVERAGE:

FHT Weighted Average Rate:	3.712%	
FHT Interest Paid	11,368	
Peak Debt:	18,569	
Provincial Borrowing at Issuance:	3.20%	*Source: OFA*
Provincial Interest Paid:	8,887	
Peak Debt:	17,752	
Difference in Interest Paid:	**2,481**	
Difference in Peak Debt:	**817**	

ɔber 19 Analysis by EFB

ɾent interest rates
ɪs

ergy's methodology exactly in Developing FAA/RA. Subject to updates and refinement.

Provincial Borrowing + 40 bp	Provincial Borrowing + 50 bp
10,374	10,879
12,432	13,047
14,017	14,716
15,821	16,619
17,874	18,750
20,124	21,083

cial Borrowing:	
Provincial Borrowing + 40 bp	Provincial Borrowing + 50 bp
1,832	2,337
2,156	2,771
2,439	3,138
2,774	3,573
3,158	4,034
3,505	4,464

ation	
3.520%	*Source: Debt Issuance Document*
3.834%	*Source: Debt Issuance Document*
4.214%	*Source: Debt Issuance Document*

3.712%

OFHP debt and interest projections, by calendar year

$ nominal million	2017
FAA w/ Interest, Fees, Readjustment Principle Recovery, Readjustment*	(1,396)
Interest Paid	32
Closing Debt Balance	1,428

*Delta between IESO GA cost forecast and Total GA paid by ratepayer, inclusive of interest
Notes: model assumes interest rate of 4.5% and data is exclusive of OPG financing fees

Date: October 19, 2017
Source: Ministry of Energy

Attempted recreation by EFB ($ nominal Million)

Interest:
Year Interest Payments Stop:
Total Interest Paid - Positive:
Peak Debt:

	2017
*FAA w/ Interest, Fees, Readjustment Principle Recovery, Readjustment** ***(Exactly from above)***	1,396
Interest Paid (attempted recreation) [EFB Calculation]	26
Closing Debt Balance [EFB Calculation]	1,423
	-5.74

	2018	2019	2020	2021	2022
	(2,189)	(2,296)	(2,414)	(2,204)	(1,700)
	116	225	343	466	577
	3,734	6,254	9,011	11,681	13,958

3.71%

2045 *(note: array formula)*

11,368

18,569

	2018	**2019**	**2020**	**2021**	**2022**
	2,189	2,296	2,414	2,204	1,700
					Additional Borrowing/F
	95	184	280	378	466
	3,707	6,186	8,879	11,461	13,627
	-26.68	***-67.79***	***-131.64***	***-219.70***	***-330.96***

2023	2024	2025	2026	2027
(1,050)	(492)	(61)	79	129
667	733	778	814	851
15,674	16,899	17,677	18,491	19,342

2023	**2024**	**2025**	**2026**	**2027**
1,050	492	61	(79)	(129)
	Cross Over Point:	(61)		
	Borrrowing Still Required:		79	129
Repayments [Reason Unknown, Plug]:				
535	585	616	639	664
15,212	16,289	16,905	17,544	18,207
-462.45	***-610.73***	***-772.66***	***-947.11***	***-1134.84***

2028	2029	2030	2031	2032
354	714	1,251	1,188	1,348
883	896	888	872	854
19,904	19,904	19,541	19,226	18,732

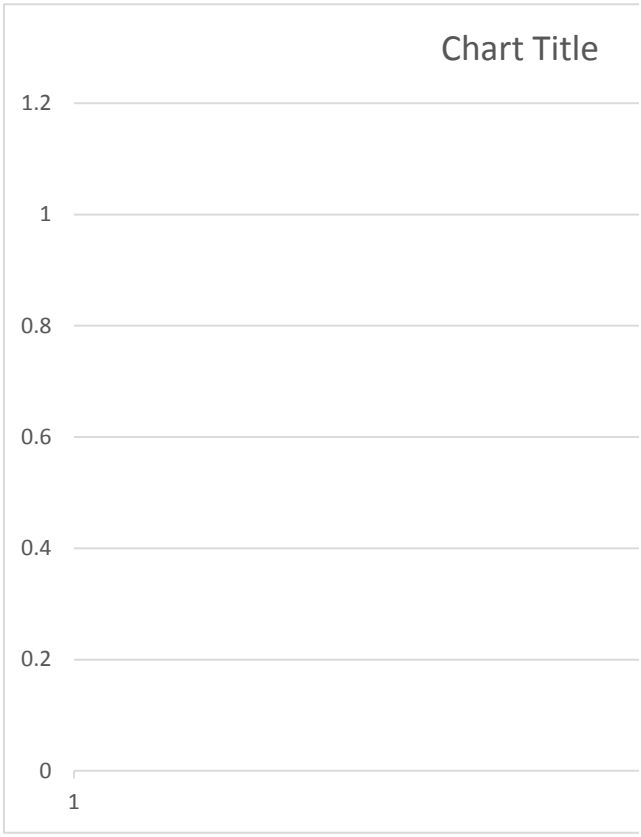


2028	**2029**	**2030**	**2031**	**2032**
(354)	(714)	(1,251)	(1,188)	(1,348)
33.45	(182)			
683	685	671	650	627
18,569	18,359	17,779	17,241	16,520
-1335.34	***-1545.69***	***-1762.53***	***-1984.85***	***-2212.33***

2033	2034	2035	2036	2037
1,419	1,901	2,087	2,128	2,062
830	791	736	673	607
18,143	17,033	15,682	14,227	12,773

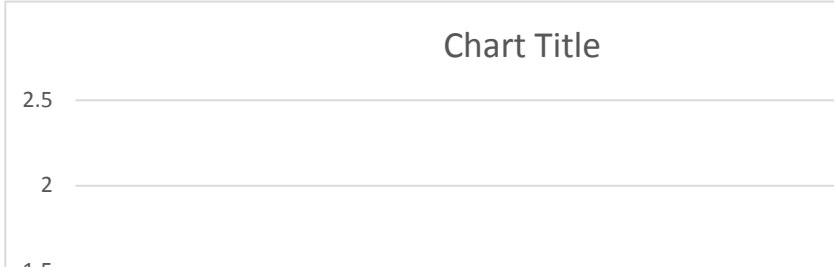


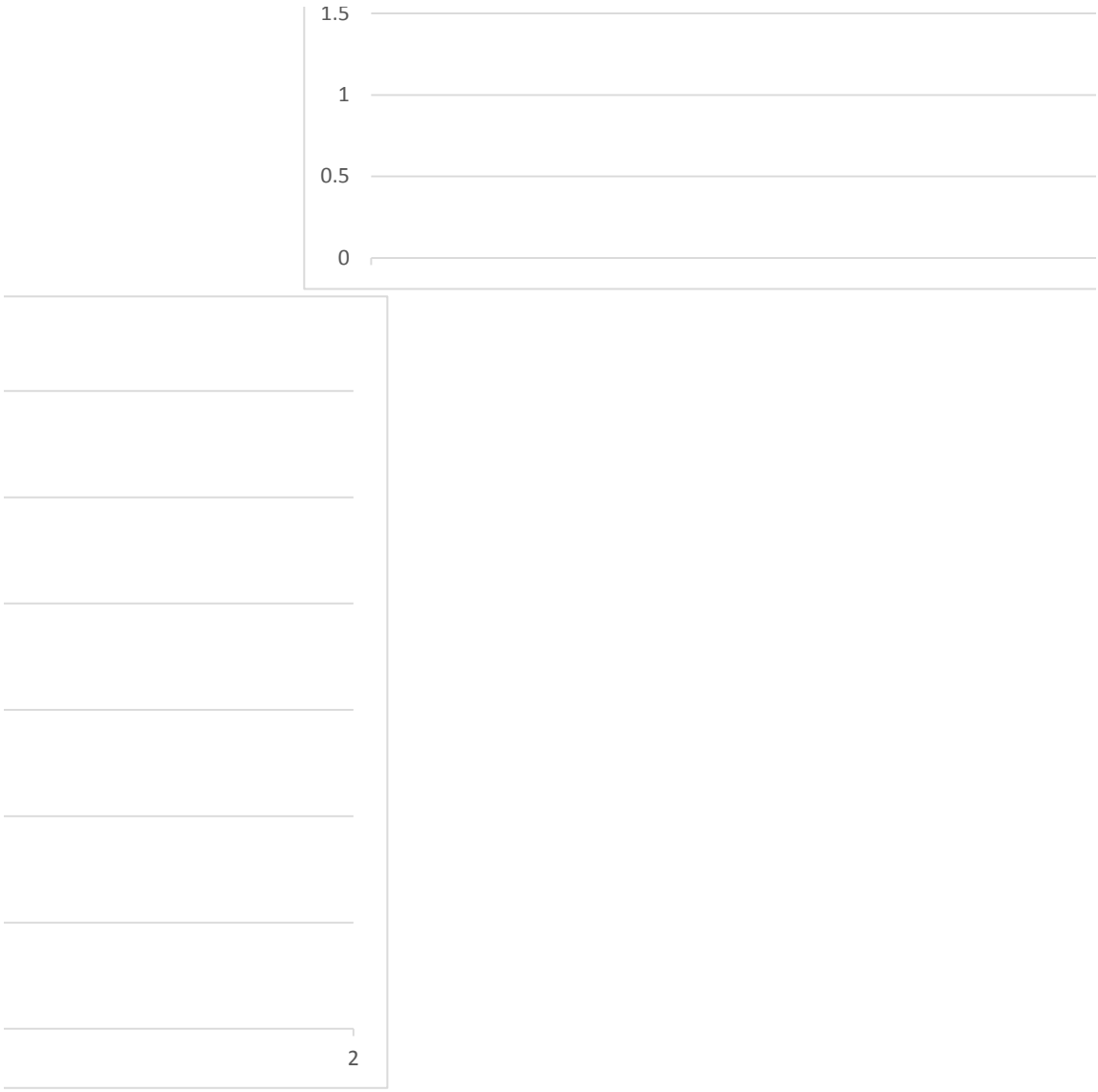
2033	**2034**	**2035**	**2036**	**2037**
(1,419)	(1,901)	(2,087)	(2,128)	(2,062)
598	558	503	443	380
15,698	14,356	12,772	11,087	9,405
-2444.06	***-2677.73***	***-2910.37***	***-3140.53***	***-3367.72***


Chart Title
1.2
1
0.8
0.6
0.4
0.2
0
1

2038	2039	2040	2041	2042
2,099	1,796	1,527	1,392	1,379
540	475	420	372	326
11,214	9,893	8,786	7,766	6,713

2038	**2039**	**2040**	**2041**	**2042**
(2,099)	(1,796)	(1,527)	(1,392)	(1,379)
316	254	201	153	107
7,622	6,081	4,755	3,516	2,244
-3591.40	***-3811.97***	***-4031.14***	***-4250.06***	***-4468.94***




1.5
1
0.5
0
2

2043	2044	2045	2046	2047
1,310	1,341	1,357	1,526	2,034
279	231	179	121	45
5,682	4,571	3,394	1,989	0



2043	**2044**	**2045**	**2046**	**2047**
(1,310)	(1,341)	(1,357)	(1,526)	(2,034)
60	12	(38)	(94)	(165)
994	(335)	(1,730)	(3,350)	(5,549)
-4687.72	***-4906.18***	***-5123.72***	***-5339.11***	***-5549.02***

From:	John Kim
To:	Shajee Kathirgamanathan; Gavin He
Cc:	Bruno Amara; Esther Jeon
Subject:	RE: Fair Hydro Trust -- Term Closing
Date:	Tuesday, April 24, 2018 2:40:24 PM

Sounds good….feel free to reach out to her.

From: Shajee Kathirgamanathan
Sent: Tuesday, April 24, 2018 2:39 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Esther Jeon <Esther.Jeon@ofina.on.ca>
Subject: RE: Fair Hydro Trust -- Term Closing

For record keeping purposes on our end, perhaps we can reach out to Malle or someone for the complete record.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Tuesday, April 24, 2018 2:38 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Esther Jeon <Esther.Jeon@ofina.on.ca>
Subject: RE: Fair Hydro Trust -- Term Closing

No, it was an email from Serge to SOC. At least, that's what I got copied on.

From: Shajee Kathirgamanathan
Sent: Tuesday, April 24, 2018 2:37 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Esther Jeon <Esther.Jeon@ofina.on.ca>
Subject: RE: Fair Hydro Trust -- Term Closing

Did we ever get a document like this for the first debt issue? It's nice to have all the details in one doc

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Tuesday, April 24, 2018 2:32 PM
To: Gavin He <Gavin.He@ofina.on.ca>

Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Esther Jeon <Esther.Jeon@ofina.on.ca>
Subject: FW: Fair Hydro Trust -- Term Closing

Fyi, I think the sub notes got priced.

John

From: Ronald Kwan
Sent: Tuesday, April 24, 2018 2:30 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Fw: Fair Hydro Trust -- Term Closing

Hi,

Please review.

Ron

From: Anna Strathy
Sent: April 24, 2018 2:26 PM
To: Gadi Mayman; Ronald Kwan; Mike Manning; Ken Kandeepan
Cc: Usman Zahid; Opal Kandelas
Subject: FW: Fair Hydro Trust -- Term Closing

FYI

From: Krasic, Aida (MOF) [mailto:Aida.Krasic@ontario.ca]
Sent: Tuesday, April 24, 2018 1:06 PM
To: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Cc: David McLean (MOF) <David.McLean@ontario.ca>; Paul Dupuis (MOF) <Paul.Dupuis@ontario.ca>; Peter Spadoni (MCYS) <Peter.Spadoni@ontario.ca>; Cook, Karen (MOF) <Karen.Cook@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: Fair Hydro Trust -- Term Closing

Hello Male,
Please find attached fax that DMO received from TORYS LLP regarding the Fair Hydro Plan –Deliveries under Change of Law Process Agreement.
As per Paul's email from Feb 9th, I am copying all on this email as well.
Thanks
Aida

From: Dupuis, Paul (MOF)
Sent: February 9, 2018 10:35 AM
To: Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>
Cc: Krasic, Aida (MOF) <Aida.Krasic@ontario.ca>; McLean, David (MOF) <David.McLean@ontario.ca>; Spadoni, Peter (MOF) <Peter.Spadoni@ontario.ca>; Cook, Karen (MOF) <Karen.Cook@ontario.ca>
Subject: FW: Fair Hydro Trust -- Term Closing

This message has been archived. View the original item

Hi Malle,

As requested please see attached. I have also copied Karen Cook (MO Office Mgr) and Peter Spadoni (Mgr of MoF Correspondence) as it may have also been sent to their fax machines as it i

Attachments:

image001.jpg	(5 KB)
FAX-Recd-2018-02-09_Torys-LLP_Fair-Hydro-Plan_Chg-of-Law-Process-Agreement.pdf	(1.3 MB)

From:	John Kim
To:	Shajee Kathirgamanathan; Gavin He
Cc:	Bruno Amara; Esther Jeon
Subject:	RE: Fair Hydro Trust -- Term Closing
Date:	Tuesday, April 24, 2018 2:37:49 PM

No, it was an email from Serge to SOC. At least, that's what I got copied on.

From: Shajee Kathirgamanathan
Sent: Tuesday, April 24, 2018 2:37 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Esther Jeon <Esther.Jeon@ofina.on.ca>
Subject: RE: Fair Hydro Trust -- Term Closing

Did we ever get a document like this for the first debt issue? It's nice to have all the details in one doc

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Tuesday, April 24, 2018 2:32 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Esther Jeon <Esther.Jeon@ofina.on.ca>
Subject: FW: Fair Hydro Trust -- Term Closing

Fyi, I think the sub notes got priced.

John

From: Ronald Kwan
Sent: Tuesday, April 24, 2018 2:30 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Fw: Fair Hydro Trust -- Term Closing

Hi,

Please review.

Ron

From: Anna Strathy

Sent: April 24, 2018 2:26 PM
To: Gadi Mayman; Ronald Kwan; Mike Manning; Ken Kandeepan
Cc: Usman Zahid; Opal Kandelas
Subject: FW: Fair Hydro Trust -- Term Closing

FYI

From: Krasic, Aida (MOF) [mailto:Aida.Krasic@ontario.ca]
Sent: Tuesday, April 24, 2018 1:06 PM
To: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Cc: David McLean (MOF) <David.McLean@ontario.ca>; Paul Dupuis (MOF) <Paul.Dupuis@ontario.ca>; Peter Spadoni (MCYS) <Peter.Spadoni@ontario.ca>; Cook, Karen (MOF) <Karen.Cook@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: Fair Hydro Trust -- Term Closing

Hello Male,
Please find attached fax that DMO received from TORYS LLP regarding the Fair Hydro Plan –Deliveries under Change of Law Process Agreement.
As per Paul's email from Feb 9th, I am copying all on this email as well.
Thanks
Aida

From: Dupuis, Paul (MOF)
Sent: February 9, 2018 10:35 AM
To: Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>
Cc: Krasic, Aida (MOF) <Aida.Krasic@ontario.ca>; McLean, David (MOF) <David.McLean@ontario.ca>; Spadoni, Peter (MOF) <Peter.Spadoni@ontario.ca>; Cook, Karen (MOF) <Karen.Cook@ontario.ca>
Subject: FW: Fair Hydro Trust -- Term Closing

This message has been archived. View the original item
Hi Malle,

As requested please see attached. I have also copied Karen Cook (MO Office Mgr) and Peter Spadoni (Mgr of MoF Correspondence) as it may have also been sent to their fax machines as it i

Attachments:

image001.jpg	(5 KB)
FAX-Recd-2018-02-09_Torys-LLP_Fair-Hydro-Plan_Chg-of-Law-Process-Agreement.pdf	(1.3 MB)

From: John Kim
To: Gavin He
Cc: Shajee Kathirgamanathan
Subject: RE: Fair Hydro Trust -- Term Closing
Date: Wednesday, April 25, 2018 11:55:46 AM

This is the Senior Debt only, right?

From: Gavin He
Sent: Wednesday, April 25, 2018 11:55 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Fair Hydro Trust -- Term Closing

Hi John,

We did a quick calculation of the weighted average spread for the 2 offerings so far:

Term Debt Offering	**Weighted Average**	**Ontario Interest Rate - 30yr**
Feb	3.526%	3.23% (Feb 12 rate)
Apr	3.712%	3.23% (Apr 24 rate)
Total	**3.609%**	

Regards,
Gavin He

From: John Kim
Sent: Tuesday, April 24, 2018 4:35 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: RE: Fair Hydro Trust -- Term Closing

Hi Ron,

We will take a look. The earlier question, I believe we discussed on the phone.

Thanks,

John

From: Ronald Kwan
Sent: Tuesday, April 24, 2018 4:27 PM

To: John Kim <John.Kim@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: Re: Fair Hydro Trust -- Term Closing

Hi John,

Across the two issuances so far, what is the weighted average spread and what would that imply for the estimated difference in financing costs?

Thanks,
Ron

From: Ronald Kwan
Sent: April 24, 2018 4:12 PM
To: John Kim
Cc: Shajee Kathirgamanathan; Gavin He; Usman Zahid
Subject: Re: Fair Hydro Trust -- Term Closing

Hi John,

What drove the weighted average spread widening -- the sub-debt rates? Did we have the actual sub-debt rates last week, but we have them now?

Ron

From: John Kim
Sent: April 24, 2018 3:33 PM
To: Ronald Kwan
Cc: Shajee Kathirgamanathan; Gavin He; Usman Zahid
Subject: RE: Fair Hydro Trust -- Term Closing

Hi Ron,

So the spread seems to have widened from the dealer survey information the day of the senior debt issue. It was around 46bps but now in the attached actual, the spread averaged to 51.2bps. [Using the dealer email indicating 32bps from Ontario which implied 3.2% for Ontario.]

The difference in interest paid widened to 2.48bn (from the earlier prelim number we had of 2.2bn based on dealer survey numbers]. Naturally, we can ask why it widened.

Attached spreadsheet provides additional details, if you're interested.

Also, related to Gadi's inquiry last week and we have the actual rates for the sub debt issues.

Thanks,

John

From: Ronald Kwan
Sent: Tuesday, April 24, 2018 2:30 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Fw: Fair Hydro Trust -- Term Closing

Hi,

Please review.

Ron

From: Anna Strathy
Sent: April 24, 2018 2:26 PM
To: Gadi Mayman; Ronald Kwan; Mike Manning; Ken Kandeepan
Cc: Usman Zahid; Opal Kandelas
Subject: FW: Fair Hydro Trust -- Term Closing

FYI

From: Krasic, Aida (MOF) [mailto:Aida.Krasic@ontario.ca]
Sent: Tuesday, April 24, 2018 1:06 PM
To: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Cc: David McLean (MOF) <David.McLean@ontario.ca>; Paul Dupuis (MOF) <Paul.Dupuis@ontario.ca>; Peter Spadoni (MCYS) <Peter.Spadoni@ontario.ca>; Cook, Karen (MOF) <Karen.Cook@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: Fair Hydro Trust -- Term Closing

Hello Male,
Please find attached fax that DMO received from TORYS LLP regarding the Fair Hydro Plan –Deliveries under Change of Law Process Agreement.
As per Paul's email from Feb 9th, I am copying all on this email as well.
Thanks
Aida

From: Dupuis, Paul (MOF)
Sent: February 9, 2018 10:35 AM
To: Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>
Cc: Krasic, Aida (MOF) <Aida.Krasic@ontario.ca>; McLean, David (MOF) <David.McLean@ontario.ca>; Spadoni, Peter (MOF) <Peter.Spadoni@ontario.ca>; Cook, Karen (MOF) <Karen.Cook@ontario.ca>
Subject: FW: Fair Hydro Trust -- Term Closing

This message has been archived. View the original item

Hi Malle,

As requested please see attached. I have also copied Karen Cook (MO Office Mgr) and Peter Spadoni (Mgr of MoF Correspondence) as it may have also been sent to their fax machines as it i

Attachments:

image001.jpg	(5 KB)
FAX-Recd-2018-02-09_Torys-LLP_Fair-Hydro-Plan_Chg-of-Law-Process-Agreement.pdf	(1.3 MB)

From: John Kim
To: Tim Christie (ENERGY)
Subject: RE: Investor presentation
Date: Wednesday, January 03, 2018 7:27:34 AM

Hi Tim,

We will get back to you today.

Thanks,

John

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, January 02, 2018 11:31 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Investor presentation

Hi John, are you planning to send any comments over to OPG on the investor presentation? We have a few, but there are a few places where we're hoping the OFA is also reviewing, particularly around the support agreement.

TIm

From: John Kim
To: Bruno Amara
Cc: Shajee Kathirgamanathan; Gavin He
Subject: RE: I'm at a meeting with Steve
Date: Wednesday, February 07, 2018 12:43:15 PM

It's also the AG's report that had $4bn. P.7

http://www.auditor.on.ca/en/content/specialreports/specialreports/FairHydroPlan_en.pdf

And the issue is about incremental to the Province's cost. So the amount would become very small when the spread is only 23bps. I do have questions about the spread but if we assume 23, then I bet it'd be very small.

-----Original Message-----
From: Bruno Amara
Sent: Wednesday, February 07, 2018 12:41 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: I'm at a meeting with Steve

Hi John

Is issue the $4B FAO said province would save if it did all the financing? See below the FAO paragraph from their Report.

"If the Province financed the entire electricity cost refinancing, as opposed to only 45%, the FAO estimates that ratepayers would save about $4 billion in interest expense, because the interest rate on Provincial debt is lower than the interest rate on OPG Trust's debt." (SEE page 12 of attached)

This was based on an assumed 5 weighted average interest cost which they calculated would result in $21B interest costs. Their own table suggested that a 3.5% interest would result in $11B in total interest costs.

-----Original Message-----
From: Ronald Kwan
Sent: Wednesday, February 07, 2018 12:28 PM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: FW: I'm at a meeting with Steve

Hi,

Any insights / estimates?

Ron

-----Original Message-----
From: Gadi Mayman
Sent: February-07-18 12:04
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Usman Zahid <Usman.Zahid@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: I'm at a meeting with Steve

He took me aside and pressed very hard on what the $4 billion amount would be now that OPG did their initial deal at a 23 Bpt spread yesterday. Do we, or Energy, have that number (or a range)?

From:	John Kim
To:	Bruno Amara
Cc:	Shajee Kathirgamanathan; Gavin He
Subject:	RE: I'm at a meeting with Steve
Date:	Wednesday, February 07, 2018 12:47:14 PM

Same report, I suppose. But The challenge is to arrive at a debt profile which I think we have. Using a 23bps spread on that shouldn't be too hard. Getting comfort around that is where the challenge is.

-----Original Message-----
From: John Kim
Sent: Wednesday, February 07, 2018 12:43 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: I'm at a meeting with Steve

It's also the AG's report that had $4bn. P.7

http://www.auditor.on.ca/en/content/specialreports/specialreports/FairHydroPlan_en.pdf

And the issue is about incremental to the Province's cost. So the amount would become very small when the spread is only 23bps. I do have questions about the spread but if we assume 23, then I bet it'd be very small.

-----Original Message-----
From: Bruno Amara
Sent: Wednesday, February 07, 2018 12:41 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: I'm at a meeting with Steve

Hi John

Is issue the $4B FAO said province would save if it did all the financing? See below the FAO paragraph from their Report.

"If the Province financed the entire electricity cost refinancing, as opposed to only 45%, the FAO estimates that ratepayers would save about $4 billion in interest expense, because the interest rate on Provincial debt is lower than the interest rate on OPG Trust's debt." (SEE page 12 of attached)

This was based on an assumed 5 weighted average interest cost which they calculated would result in $21B interest costs. Their own table suggested that a 3.5% interest would result in $11B in total interest costs.

-----Original Message-----
From: Ronald Kwan
Sent: Wednesday, February 07, 2018 12:28 PM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: FW: I'm at a meeting with Steve

Hi,

Any insights / estimates?

Ron

-----Original Message-----
From: Gadi Mayman
Sent: February-07-18 12:04
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Usman Zahid <Usman.Zahid@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: I'm at a meeting with Steve

He took me aside and pressed very hard on what the $4 billion amount would be now that OPG did their initial deal at a 23 Bpt spread yesterday. Do we, or Energy, have that number (or a range)?

From:	John Kim
To:	Ronald Kwan
Cc:	Usman Zahid
Subject:	RE: Liquidity Note
Date:	Monday, April 23, 2018 3:07:24 PM
Attachments:	OPG Funding and Liquidity update April 2018-v09_Markup3.docx

Thanks Ron…happy to leave other changes out.

Pls. see attached.

John

From: Ronald Kwan
Sent: Monday, April 23, 2018 2:58 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: RE: Liquidity Note

Too late.

Ron

From: John Kim
Sent: April-23-18 14:46
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: FW: Liquidity Note

Hi Ron,

Pls. use this version.

Thanks,

John

From: Bruno Amara
Sent: Monday, April 23, 2018 2:43 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Esther Jeon <Esther.Jeon@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: Liquidity Note

Hi John

Revised note attached.

Bruno

From: Shajee Kathirgamanathan
Sent: Monday, April 23, 2018 2:09 PM
To: Esther Jeon <Esther.Jeon@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Liquidity Note

Hi Esther,

Gavin and I added a bit more on the FHT part.

Please see attached.

File found here:
S:\Users\CEF\Hydro 2018\OPG\Funding and Liquidity\April 2018 - OEFC Board meeting

Thanks,
Shajee

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Esther Jeon
Sent: Monday, April 23, 2018 12:34 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Liquidity Note

Hi all,

I edited the most recent version sent by Gavin and updated the business plan section.
Please take a look, thank you!

-Esther

From: Gavin He
Sent: Monday, April 23, 2018 12:12 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>; Esther Jeon <Esther.Jeon@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Liquidity Note

Hi All,

I made some further updates to the note, see attached.

Shajee – for the notes offering last Wednesday, do we know how much was issued by subordinate debt and junior subordinate debt?

Regards,
Gavin He

From: John Kim
Sent: Monday, April 23, 2018 11:56 AM
To: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Esther Jeon <Esther.Jeon@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Liquidity Note

Could we update for that pls?

From: Gavin He
Sent: Monday, April 23, 2018 11:56 AM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Esther Jeon <Esther.Jeon@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Liquidity Note

Hi John,

Shajee and I were talking about this had the same question too. It doesn't look like the notes OPG issued are matching the assets purchased.

Regards,
Gavin He

From: John Kim
Sent: Monday, April 23, 2018 11:50 AM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Esther Jeon <Esther.Jeon@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Liquidity Note

Also, on the FHT section, if $1.2 bn is the assets purchased, why is the senior note on $500mn?

Wouldn't it be 51%?

From: John Kim
Sent: Monday, April 23, 2018 11:41 AM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Esther Jeon <Esther.Jeon@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Liquidity Note

Thanks….any issue with the attached?

From: Bruno Amara
Sent: Monday, April 23, 2018 11:25 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Esther Jeon <Esther.Jeon@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Liquidity Note

Hi John

Esther has drafted the attached OPG liquidity note. SIFB and Capital markets have provided their input.

Bruno

Bruno Amara
Sr. Manager, Financial and Regulatory Analysis
Electricity Finance Branch
Corporate and Electricity Finance Division
Ontario Financing Authority

Tel: 416-325-1489
Email: bruno.amara@ofina.on.ca

OPG Funding and Liquidity Status Update
OEFC Board Meeting – April 27, 2018

Purpose

The purpose of this report is to outline the status of OPG's funding and liquidity position on an on-going basis, as directed at the December 2004 OEFC Board meeting.

Current Status

- As of February 2018, according to OPG's business plan, OPG projected ~~a~~ $273 million in cash at the end of 2018.
  - As of December 31, 2017, OPG had a cash position of $234 million.
  - In 2018, OPG expects to make dividend payments of over $475 million to the Shareholder with respect to the sale of OPG's head office and their Lakeview site.
    - ~~o~~ In March 2018, OPG paid $283M in net proceeds from the head office properties sale to the Province as prescribed in regulation under the *Trillium Trust Act, 2014.*
  - OPG had a $186 million cash position at the end of 2016.
- In June 2016, OEFC entered into a credit facility agreement with OPG for the latter to borrow up to $700 million for the purpose of financing general corporate purposes effective January 1, 2017 to the end of 2017, including for the Darlington refurbishment project. The Minister's directive from June 2016 allowed OEFC to extend the term of the credit facility to the end of 2018, and increase the amount of the credit facility based on the total financing amount identified in OPG's 2016-2018 Business Plan, following concurrence by the Minister of Energy. OPG obtained concurrence for its Business Plan in November 2016
  - OPG has also received concurrence from the Ministry of Energy for its 2017-2019 Business Plan. The~~e~~at Business Plan projected~~s~~ a borrowing need of $1,750 million in 2017 ($1,500 million in 2016-18 Business Plan) and $650 million total in 2018 ($850 million in 2016-18 Business Plan) from the credit facility. This revised amount~~change~~, in aggregate, is close to the approved amounts of the Minister's directive between 2017 and 2018, and the shift in the timing of about $200 million from 2018 to 2017 is consistent with the Directive on the total financing amount.
  - In September 2017, amendments to the credit facility were finalized to increase the facility to $2.35 billion and extend the expiry date to December 31, 2018.

Formatted: Font: Bold

Formatted

Formatted: Font: Bold

Formatted: Indent: Left: 0.75", Tab stops: 1", List tab + Not at 1.5"

- In the 20187-202119 Business Plan, OPG is expected to spentd $1,249152 million in 2017 and projects to spend $1,231113 million in 2018 on the Darlington Refurbishment project.

- ~~In September 2017, amendments to the credit facility were finalized to increase the facility to $2.35 billion and extend the expiry date to December 31, 2019.~~

- In 2017, OPG borrowed a total of $800 million under the credit facility. During the first quarter of 2018, theyit borrowed an additional $600 million. The term of all of the borrowings is 30 years.

- OPG filed its regulated rate application in May 2016 for rates starting as at January 1, 2017 and covering a period of 5 years from 2017 to 2021. The Ontario Energy Board (OEB) issued theiritsdecision in December 2017, and theiritsdecision determined that new prices would be applied with an effective date of June 1, 2017.

  - OPG recognized the impact of the OEB's decision in the fourth quarter of 2017, which resulted in a net revenue increase of approximately $480 million related to the June 1, 2017 to December 31, 2017 period, compared to the prior rates.

  - In January 2018, OPG submitted a draft payment amounts order to the OEB that implemented the decision's findings into the final proposed regulated prices. The OEB is expected to issue the final payment amounts order in the first half of 2018, at which time OPG will begin to collect revenues based on new regulated prices. The OEB's approval of the final payment amounts order is not expected to have a material impact on the amount of net revenue recorded in the fourth quarter of 2017.

  - In January 2018, OPG has filed a Notice of Motion to review and vary the OEB's decision of rates being effective June 1, 2017 instead of the requested date of January 1, 2017 and an oral hearing to present their arguments occurred on April 2017. This case is still currently being reviewed by the OEB.

  - An amended OEB decision with respect to the Motion to Review could affect OPG's longer term liquidity outlook and net income related to the January 1, 2017 to May 31, 2017 period.

- OPG has beenwas appointed the Financial Services Manager under the Ontario Fair Hydro Plan Act, 2017 (the Act) and, in December 2017, established the Fair Hydro Trust (the Trust) as the financing entity for the Act:

  - As reported in OPG's Q4 2017 Financial Statement, in December 2017 the Trust purchased its first tranche of financing receivable assets from the Independent Electricity System Operator in the amount of approximately $1.2 billion. In February 2018, the Trust issued $500 million of senior notes payable maturing in 2033.

Commented [JK1]: Would it be OK to use the latest BP?

Commented [RK2]: But not compared to the 2017-19 Business Plan, was it?

Commented [JK3R2]: No, it is related to the new rates being effective.

Commented [RK4]: Makes it sounds as if there would be a restatement. Is that the case?

Commented [JK5R4]: I don't believe restatement is likely.

- On March 22, 2018, OPG purchased the second tranche of financing receivable assets from the IESO in the amount of approximately $460 million.
- On April 19, 2018, the Trust issued $400 million of senior notes payable maturing in 2038.
- On April 20, 2018, OPG purchased the third tranche of financing receivable assets from the Independent Electricity System Operator in the amount of approximately $149 million.

- **OPG Current Financial Outlook, based upon financing updates up to December 31, 2017:** (Note – numbers are subject to rounding)

Calendar Years,($ millions)	2017 Actual	Q1-Q4 2018 Forecast	2018 Forecast
Opening Cash	**186**	**48**	**234**
Cash from Operations	944	524	1,468
Approved Capital Expenditures	(1,853)	(213)	(2,066)
PS Term Deposit Maturity	70	(70)	-
Pre-tax Proceeds – Sale of Head Office	484	(484)	-
Pre-tax Proceeds – Sale of Lakeview Site	-	267	267
Acquisition of Fair Hydro Trust financing receivables	(1,179)	(1,147)	(2,326)
Maturing Debt	(1,103)	705	(398)
New Debt to OEFC and Additional Corporate Debt*	1,301	(110)	1,191
Issuance of Fair Hydro Trust long-term debt	601	583	1,184
Issuance of Class A Shares**	519	503	1,022
Commercial Paper	260	(60)	200
Distributions to Non-Controlling Interest	(15)	(7)	(22)
Capital Contribution from Non-Controlling Interest	19	(19)	-
Dividends (Net Proceeds of Distribution to Trillium Trust***)	-	(482)	(482)
Net Cash flow	**48**	**(9)**	**39**
Ending Cash	**234**	**39**	**273**

* Financing from OEFC for general corporate purposes including Darlington Refurbishment project. The current credit facility allows up to $2.35 billion to the end of 2018 consistent with 2016-2018 OPG Business Plan. As of December 31, 2017 debt to OEFC totaled to $800M and

in Oct 2017 OPG issued $500M of senior notes payable under a Medium Term Note Program for general corporate purposes.

** In December 2017, OPG issued non-voting Class A shares to the Province for its equity injection in the company, generating proceeds of $519M. These proceeds were used by OPG to purchase the Fair Hydro Trust's subordinated debt in the amount of 44%of the total funding requirement for the Trust's acquisition of Investment Interest from the IESO in December 2017.

*** The Trillium Trust regulation for the head office properties was filed in March 2018, with OPG paying the net proceeds of approximately $283M shortly after as a dividend to the Province. Note that the Trillium Trust regulation timing for the Lakeview site is likely to be in 2018. Analysis and verification of records in support of prescribed costs under the *Trillium Trust Act, 2014* needs to be undertaken.

Background

Formatted: None

The following table provides the details of deferrals of debt and interest payments, refinancing, and new loans commencing from December of 2004.

Timing	Action	Details
July 2016 Board meeting	Received Minister's Directive on June 17, 2016, for general corporate purposes including Darlington Refurbishment project up to $700 million. Directive provides approval for subsequent loans not totalling more than $2.3 billion but is subject to concurrence by Shareholder with OPG's business plan, and to not exceed $3 billion in total.	Under credit facility, loans shall have a term not exceeding thirty years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread based on a survey of market rates. Interest rate and term of each loan shall be determined by OEFC. Loan agreement signed on June 17, 2016. An amendment was signed on September 6, 2017 to increase the amount of the credit facility to $1.5 billion in 2017 and $850 million in 2018.
December 2014 Board meeting	Subject to receiving Minister's Directive for general corporate purposes including Darlington Refurbishment project up to $800 million.	Under the credit facility, up to 50% of advances may have a term up to 30 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Received Minister's directive on December 18, 2014. Loan agreement was signed on December 22, 2014.
December 2013 Board meeting	Received Minister's Directive for general corporate purposes including Darlington Refurbishment project up to $500 million.	Under the credit facility, up to 50% of advances may have a term up to 30 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on December 20, 2013.
April 2012 Board meeting	Received Minister's Directive for refinancing of maturing debt up to $400 million.	Under the credit facility, advances up to $200 million may have a term up to 30 years. The remaining $200 million may have a term up to 10 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on April 26, 2012.
April 2011 Board meeting	Received Minister's Directive for refinancing of maturing debt up to $375 million.	Under the credit facility, each advance will have a term up to 30 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on March 7, 2011.
September 2010 Board meeting	Received Minister's Directive for $700 million loan to OPG for the Lower Mattagami project.	Under the credit facility each advance will have a term up to 10 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on March 7, 2011.

Timing	Action	Details
September 2009 Board meeting	Subject to receiving Minister's directives, approved the refinancing of maturing debt up to $970 million and an increase in the Niagara Tunnel loan to $1.6 billion.	The refinancing debt facility will have a term of one year; each advance will have a term up to 10 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Received Minister's directive on January 20, 2010 for refinancing up to $970 million of maturing debt. Loan agreement signed March 8, 2010. Received Minister's directive on April 22, 2010 for increase in the Niagara Tunnel loan to $1.6 billion and extension of the expiry date to December 2014. Amendment signed July 21, 2010.
June 2007 Board meeting	Pursuant to a Minister's directive dated June 11, 2007, approved a loan for up to $950 million for refinancing debt issued to OEFC and a loan for up to $500 million for general corporate requirements.	Structured to provide advances in tranches. The ability to draw on the refinancing facility to expire on Dec 31, 2009, and the general corporate requirements facility expired on March 31, 2008 (OPG has fully drawn on this facility). Each advance shall have a term up to 10 years. The interest rate is based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement for the general corporate requirements signed on June 14, 2007. Loan agreement for the refinancing maturing debt signed on July 6, 2007.
April 2006 Board meeting	Subject to receiving a Minister's directive, approved a loan for up to $400 million for the Portlands project and a loan for up to $50 for the Lac Seul project.	Structured to provide advances in tranches over a 3 year period. Each advance shall have a term as may be determined by the Chief Executive Officer of OEFC or his/her designate. Interest based on Government of Canada benchmark bond yield plus a spread determined by OEFC. Minister's Directives dated October 25, 2006. Loan agreements for the Portlands and Lac Seul projects signed on December 6, 2006.
September 2005 Board meeting	Pursuant to the Minister's Directive dated August 18, 2005, approved loan for up to $1 billion for the Niagara Tunnel project.	Structured to provide advances in tranches over a 5 year period commencing in 2005. Terms of each advance not to exceed 10 years. Interest based on Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement signed on September 21, 2005.

Timing	Action	Details
September 2005 Board meeting (cont'd)	Subject to receiving a Minister's Directive, approved a loan for up to $95 million for the Thunder Bay conversion.	Structured to provide advances in tranches over a 2 year period commencing late 2005 or early 2006. Terms of each advance not to exceed 10 years. Interest based on Government of Canada benchmark bond yield plus a spread determined by OEFC. Minister's Directive dated September 26, 2005. Loan agreement signed on November 14, 2005. In June 2006 the Government revoked its Directive to OPG on the Thunder Bay conversion project. OEFC and OPG terminated the loan agreement on September 29, 2006.
June 2005 Board meeting	OEFC Board was advised that OPG had approached OFA/OEFC to get funding indications for Niagara Tunnel Project. While the government had provided overall support for the Niagara Tunnel Project, OEFC Board advised that staff would be coming back to the board to request a loan once a directive had been obtained	
March 2005 Board meeting	Pursuant to a Minister's Directive, $600 million in loans was approved to address OPG operating cash flow funding requirements from April 1, 2005 to March 31, 2006	Structured to provide for drawdowns in 1 or more tranches at market rates for terms ranging from 3 to 7 years. Rates determined by OEFC. In May 2005, OPG borrowed $400 million, for a 7 year term at 5.715% (spread of 1.75% over the respective Canada bond)
	Loan approval for $98 million to OPG for a 5 year term commencing September 22, 2005	Loan to offset interest payments on loans due that day and to be extended at market rates determined by OEFC. Subsequently, OPG declined this loan due to higher than expected revenues.
December 2004 Board meeting	Extend $250 million March 22, 2005 debt maturity for another 5 years	Original average 5.62% borrowing cost maintained for extended loan
	Extend $250 million September 22, 2005 debt maturity for another 5 years	Original average 5.62% borrowing cost maintained for extended loan
	Loan $95 million to OPG for a 5 year term commencing Mar. 22, 2005	Loan to offset interest payments on loans due that day and 5.62% rate used for new loan

OPG Debt Maturity Schedule (at April 23, 2018, 2017):

Maturity Date	Coupon Rate (%)	Amount ($ m)
Jul 22, 2018	5.497	50
Oct 22, 2018	6.325	20
Jan 22, 2019	6.178	40
Mar 22, 2019	5.651	100
Apr 22, 2019	5.635	75
Jul 22, 2019	5.184	65
Oct 22, 2019	4.857	85
Jan 22, 2020	4.618	50
Mar 22, 2020	4.679	230
Apr 22, 2020	4.954	65
Jul 22, 2020	4.658	35
Sep 22, 2020	4.391	230
Oct 22, 2020	4.094	50
Jan 22, 2021	4.573	40
Apr 22, 2021	4.633	35
Jul 22, 2021	4.152	50
Oct 22, 2021	3.985	60
Jan 22, 2022	3.583	40
Apr 22, 2022	3.521	35
Jul 22, 2022	2.981	45
Oct 22, 2022	3.163	30
Jan 22, 2023	3.27	20
Apr 22, 2023	2.961	20
Nov 22, 2026	3.037	50
Mar 22, 2041	5.397	150
Sep 22, 2041	4.74	150
Apr 22, 2042	4.356	200
Nov 22, 2046	4.028	50
Feb 22, 2047	4.122	200
Jun 22, 2047	3.648	100
Aug 22, 2047	3.858	100
Sep 22, 2047	4.066	400
Jan 22, 2048	3.874	200
Mar 22, 2048	3.997	400
Total Outstanding		**3,470.0**

Status of Project Financing (at April 23, 2018):

Project	Amount Authorized under Loan Agreement	Total Borrowing to Date	Expiry Date of Loan Agreement	Status of Project
Corporate Credit Facility	$2.35 billion	$1,400 million	Dec 31, 2018	-
Niagara Tunnel	$1.6 billion	$1,065 million	Dec 30, 2014	Completed
Portlands	$400 million	$390 million	Dec 29, 2009	Completed
Lac Seul	$50 million	$50 million	Dec 29, 2009	Completed
Lower Mattagami	$700 million	-	June 30, 2016	Completed

Prepared by:
Electricity Finance Branch and Capital Market Division
April 23, 2018

From:	John Kim
To:	Bruno Amara
Cc:	Esther Jeon; Shajee Kathirgamanathan; Gavin He
Subject:	RE: Liquidity Note
Date:	Monday, April 23, 2018 11:40:50 AM
Attachments:	OPG Funding and Liquidity update April 2018-v09_Markup.docx

Thanks….any issue with the attached?

From: Bruno Amara
Sent: Monday, April 23, 2018 11:25 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Esther Jeon <Esther.Jeon@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Liquidity Note

Hi John

Esther has drafted the attached OPG liquidity note. SIFB and Capital markets have provided their input.

Bruno

Bruno Amara
Sr. Manager, Financial and Regulatory Analysis
Electricity Finance Branch
Corporate and Electricity Finance Division
Ontario Financing Authority

Tel: 416-325-1489
Email: bruno.amara@ofina.on.ca

OPG Funding and Liquidity Status Update
OEFC Board Meeting – April 27, 2018

Purpose

The purpose of this report is to outline the status of OPG's funding and liquidity position on an on-going basis, as directed at the December 2004 OEFC Board meeting.

Current Status

- As of February 2018, according to OPG's business plan, OPG projected a $273 million in cash at the end of 2018.
    - As of December 31, 2017, OPG had a cash position of $234 million. In 2018, OPG expects to make dividend payments of over $475 million to the Shareholder with respect to the sale of OPG's head office and their Lakeview site.
    - In March 2018, OPG paid $283M in net proceeds from the head office properties sale to the Province as prescribed in regulation under the *Trillium Trust Act, 2014.*
    - OPG had a $186 million cash position at the end of 2016.
- In June 2016, OEFC entered into a credit facility agreement with OPG for the latter to borrow up to $700 million for the purpose of financing general corporate purposes effective January 1, 2017 to the end of 2017, including for the Darlington refurbishment project. The Minister's directive from June 2016 allowed OEFC to extend the term of the credit facility to the end of 2018, and increase the amount of the credit facility based on the total financing amount identified in OPG's 2016-2018 Business Plan, following concurrence by the Minister of Energy. OPG obtained concurrence for its Business Plan in November 2016
    - OPG has also received concurrence from the Ministry of Energy for its 2017-2019 Business Plan. The Business Plan projects a borrowing need of $1,750 million in 2017 ($1,500 million in 2016-18 Business Plan) and $650 million total in 2018 ($850 million in 2016-18 Business Plan) from the credit facility. This change, in aggregate, is close to the approved amounts of the Minister's directive between 2017 and 2018, and the shift in the timing of about $200 million from 2018 to 2017 is consistent with the Directive on the total financing amount. In the 20187-202119 Business Plan, OPG is expected to spentd $1,249152 million in 2017 and projects to spend $1,231113 million in 2018 on the Darlington Refurbishment project.
    - In September 2017, amendments to the credit facility were finalized to increase the facility to $2.35 billion and extend the expiry date to December 31, 2018.

Formatted: Font: Bold

Formatted

Commented [JK1]: Would it be OK to use the latest BP?

- In 2017, OPG borrowed a total of $800 million under the credit facility. During the first quarter of 2018, they borrowed an additional $600 million. The term of all of the borrowings is 30 years.

- OPG filed its regulated rate application in May 2016 for rates starting as at January 1, 2017 and covering a period of 5 years from 2017 to 2021. The Ontario Energy Board (OEB) issued their decision in December 2017, and their decision determined that new prices would be applied with an effective date of June 1, 2017.

    - OPG recognized the impact of the OEB's decision in the fourth quarter of 2017, which resulted in a net revenue increase of approximately $480 million related to the June 1, 2017 to December 31, 2017 period.

    - In January 2018, OPG submitted a draft payment amounts order to the OEB that implemented the decision's findings into the final proposed regulated prices. The OEB is expected to issue the final payment amounts order in the first half of 2018, at which time OPG will begin to collect revenues based on new regulated prices. The OEB's approval of the final payment amounts order is not expected to have a material impact on the amount of net revenue recorded in the fourth quarter of 2017.

    - In January 2018, OPG has filed a Notice of Motion to review and vary the OEB's decision of rates being effective June 1, 2017 instead of the requested date of January 1, 2017 and an oral hearing to present their arguments occurred on April 2017. This case is still currently being reviewed by the OEB.

    - An amended OEB decision with respect to the Motion to Review could affect OPG's longer term liquidity outlook and net income related to the January 1, 2017 to May 31, 2017 period.

- OPG has been appointed the Financial Services Manager under the Ontario Fair Hydro Plan Act, 2017 (the Act) and, in December 2017, established the Fair Hydro Trust (the Trust) as the financing entity for the Act:

    - As reported in OPG's Q4 2017 Financial Statement, in December 2017 the Trust purchased its first tranche of financing receivable assets from the Independent Electricity System Operator in the amount of approximately $1.2 billion. In February 2018, the Trust issued $500 million of senior notes payable maturing in 2033.

    - On March 22, 2018, OPG purchased the second tranche of financing receivable assets from the IESO in the amount of approximately $460 million.

    - On April 19, 2018, the Trust issued $400 million of senior notes payable maturing in 2038.

- On April 20, 2018, OPG purchased the third tranche of financing receivable assets from the Independent Electricity System Operator in the amount of approximately $149 million.

- **OPG Current Financial Outlook, based upon financing updates up to December 31, 2017:** (Note – numbers are subject to rounding)

Calendar Years,($ millions)	**2017 Actual**	**Q1-Q4 2018 Forecast**	**2018 Forecast**
Opening Cash	**186**	**48**	**234**
Cash from Operations	944	524	1,468
Approved Capital Expenditures	(1,853)	(213)	(2,066)
PS Term Deposit Maturity	70	(70)	-
Pre-tax Proceeds – Sale of Head Office	484	(484)	-
Pre-tax Proceeds – Sale of Lakeview Site	-	267	267
Acquisition of Fair Hydro Trust financing receivables	(1,179)	(1,147)	(2,326)
Maturing Debt	(1,103)	705	(398)
New Debt to OEFC and Additional Corporate Debt*	1,301	(110)	1,191
Issuance of Fair Hydro Trust long-term debt	601	583	1,184
Issuance of Class A Shares**	519	503	1,022
Commercial Paper	260	(60)	200
Distributions to Non-Controlling Interest	(15)	(7)	(22)
Capital Contribution from Non-Controlling Interest	19	(19)	-
Dividends (Net Proceeds of Distribution to Trillium Trust***)	-	(482)	(482)
Net Cash flow	**48**	**(9)**	**39**
Ending Cash	**234**	**39**	**273**

* Financing from OEFC for general corporate purposes including Darlington Refurbishment project. The current credit facility allows up to $2.35 billion to the end of 2018 consistent with 2016-2018 OPG Business Plan. As of December 31, 2017 debt to OEFC totaled to $800M and in Oct 2017 OPG issued $500M of senior notes payable under a Medium Term Note Program for general corporate purposes.

** In December 2017, OPG issued non-voting Class A shares to the Province for its equity injection in the company, generating proceeds of $519M. These proceeds were used by OPG to purchase the Fair Hydro Trust's subordinated debt in the amount of 44%of the total funding requirement for the Trust's acquisition of Investment Interest from the IESO in December 2017.

*** The Trillium Trust regulation for the head office properties was filed in March 2018, with OPG paying the net proceeds of approximately $283M shortly after as a dividend to the Province.

Note that the Trillium Trust regulation timing for the Lakeview site is likely to be in 2018. Analysis and verification of records in support of prescribed costs under the *Trillium Trust Act, 2014* needs to be undertaken.

Background

The following table provides the details of deferrals of debt and interest payments, refinancing, and new loans commencing from December of 2004.

Timing	Action	Details
July 2016 Board meeting	Received Minister's Directive on June 17, 2016, for general corporate purposes including Darlington Refurbishment project up to $700 million. Directive provides approval for subsequent loans not totalling more than $2.3 billion but is subject to concurrence by Shareholder with OPG's business plan, and to not exceed $3 billion in total.	Under credit facility, loans shall have a term not exceeding thirty years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread based on a survey of market rates. Interest rate and term of each loan shall be determined by OEFC. Loan agreement signed on June 17, 2016. An amendment was signed on September 6, 2017 to increase the amount of the credit facility to $1.5 billion in 2017 and $850 million in 2018.
December 2014 Board meeting	Subject to receiving Minister's Directive for general corporate purposes including Darlington Refurbishment project up to $800 million.	Under the credit facility, up to 50% of advances may have a term up to 30 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Received Minister's directive on December 18, 2014. Loan agreement was signed on December 22, 2014.
December 2013 Board meeting	Received Minister's Directive for general corporate purposes including Darlington Refurbishment project up to $500 million.	Under the credit facility, up to 50% of advances may have a term up to 30 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on December 20, 2013.
April 2012 Board meeting	Received Minister's Directive for refinancing of maturing debt up to $400 million.	Under the credit facility, advances up to $200 million may have a term up to 30 years. The remaining $200 million may have a term up to 10 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on April 26, 2012.
April 2011 Board meeting	Received Minister's Directive for refinancing of maturing debt up to $375 million.	Under the credit facility, each advance will have a term up to 30 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on March 7, 2011.
September 2010 Board meeting	Received Minister's Directive for $700 million loan to OPG for the Lower Mattagami project.	Under the credit facility each advance will have a term up to 10 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on March 7, 2011.

Timing	Action	Details
September 2009 Board meeting	Subject to receiving Minister's directives, approved the refinancing of maturing debt up to $970 million and an increase in the Niagara Tunnel loan to $1.6 billion.	The refinancing debt facility will have a term of one year; each advance will have a term up to 10 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Received Minister's directive on January 20, 2010 for refinancing up to $970 million of maturing debt. Loan agreement signed March 8, 2010. Received Minister's directive on April 22, 2010 for increase in the Niagara Tunnel loan to $1.6 billion and extension of the expiry date to December 2014. Amendment signed July 21, 2010.
June 2007 Board meeting	Pursuant to a Minister's directive dated June 11, 2007, approved a loan for up to $950 million for refinancing debt issued to OEFC and a loan for up to $500 million for general corporate requirements.	Structured to provide advances in tranches. The ability to draw on the refinancing facility to expire on Dec 31, 2009, and the general corporate requirements facility expired on March 31, 2008 (OPG has fully drawn on this facility). Each advance shall have a term up to 10 years. The interest rate is based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement for the general corporate requirements signed on June 14, 2007. Loan agreement for the refinancing maturing debt signed on July 6, 2007.
April 2006 Board meeting	Subject to receiving a Minister's directive, approved a loan for up to $400 million for the Portlands project and a loan for up to $50 for the Lac Seul project.	Structured to provide advances in tranches over a 3 year period. Each advance shall have a term as may be determined by the Chief Executive Officer of OEFC or his/her designate. Interest based on Government of Canada benchmark bond yield plus a spread determined by OEFC. Minister's Directives dated October 25, 2006. Loan agreements for the Portlands and Lac Seul projects signed on December 6, 2006.
September 2005 Board meeting	Pursuant to the Minister's Directive dated August 18, 2005, approved loan for up to $1 billion for the Niagara Tunnel project.	Structured to provide advances in tranches over a 5 year period commencing in 2005. Terms of each advance not to exceed 10 years. Interest based on Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement signed on September 21, 2005.

Timing	Action	Details
September 2005 Board meeting (cont'd)	Subject to receiving a Minister's Directive, approved a loan for up to $95 million for the Thunder Bay conversion.	Structured to provide advances in tranches over a 2 year period commencing late 2005 or early 2006. Terms of each advance not to exceed 10 years. Interest based on Government of Canada benchmark bond yield plus a spread determined by OEFC. Minister's Directive dated September 26, 2005. Loan agreement signed on November 14, 2005. In June 2006 the Government revoked its Directive to OPG on the Thunder Bay conversion project. OEFC and OPG terminated the loan agreement on September 29, 2006.
June 2005 Board meeting	OEFC Board was advised that OPG had approached OFA/OEFC to get funding indications for Niagara Tunnel Project. While the government had provided overall support for the Niagara Tunnel Project, OEFC Board advised that staff would be coming back to the board to request a loan once a directive had been obtained	
March 2005 Board meeting	Pursuant to a Minister's Directive, $600 million in loans was approved to address OPG operating cash flow funding requirements from April 1, 2005 to March 31, 2006	Structured to provide for drawdowns in 1 or more tranches at market rates for terms ranging from 3 to 7 years. Rates determined by OEFC. In May 2005, OPG borrowed $400 million, for a 7 year term at 5.715% (spread of 1.75% over the respective Canada bond)
	Loan approval for $98 million to OPG for a 5 year term commencing September 22, 2005	Loan to offset interest payments on loans due that day and to be extended at market rates determined by OEFC. Subsequently, OPG declined this loan due to higher than expected revenues.
December 2004 Board meeting	Extend $250 million March 22, 2005 debt maturity for another 5 years	Original average 5.62% borrowing cost maintained for extended loan
	Extend $250 million September 22, 2005 debt maturity for another 5 years	Original average 5.62% borrowing cost maintained for extended loan
	Loan $95 million to OPG for a 5 year term commencing Mar. 22, 2005	Loan to offset interest payments on loans due that day and 5.62% rate used for new loan

OPG Debt Maturity Schedule (at April 23, 2018, 2017):

Maturity Date	Coupon Rate (%)	Amount ($ m)
Jul 22, 2018	5.497	50
Oct 22, 2018	6.325	20
Jan 22, 2019	6.178	40
Mar 22, 2019	5.651	100
Apr 22, 2019	5.635	75
Jul 22, 2019	5.184	65
Oct 22, 2019	4.857	85
Jan 22, 2020	4.618	50
Mar 22, 2020	4.679	230
Apr 22, 2020	4.954	65
Jul 22, 2020	4.658	35
Sep 22, 2020	4.391	230
Oct 22, 2020	4.094	50
Jan 22, 2021	4.573	40
Apr 22, 2021	4.633	35
Jul 22, 2021	4.152	50
Oct 22, 2021	3.985	60
Jan 22, 2022	3.583	40
Apr 22, 2022	3.521	35
Jul 22, 2022	2.981	45
Oct 22, 2022	3.163	30
Jan 22, 2023	3.27	20
Apr 22, 2023	2.961	20
Nov 22, 2026	3.037	50
Mar 22, 2041	5.397	150
Sep 22, 2041	4.74	150
Apr 22, 2042	4.356	200
Nov 22, 2046	4.028	50
Feb 22, 2047	4.122	200
Jun 22, 2047	3.648	100
Aug 22, 2047	3.858	100
Sep 22, 2047	4.066	400
Jan 22, 2048	3.874	200
Mar 22, 2048	3.997	400
Total Outstanding		**3,470.0**

Status of Project Financing (at April 23, 2018):

Project	Amount Authorized under Loan Agreement	Total Borrowing to Date	Expiry Date of Loan Agreement	Status of Project
Corporate Credit Facility	$2.35 billion	$1,400 million	Dec 31, 2018	-
Niagara Tunnel	$1.6 billion	$1,065 million	Dec 30, 2014	Completed
Portlands	$400 million	$390 million	Dec 29, 2009	Completed
Lac Seul	$50 million	$50 million	Dec 29, 2009	Completed
Lower Mattagami	$700 million	-	June 30, 2016	Completed

Prepared by:
Electricity Finance Branch and Capital Market Division
April 23, 2018

From:	John Kim
To:	Ronald Kwan
Cc:	Usman Zahid
Subject:	RE: Liquidity Note
Date:	Monday, April 23, 2018 3:16:33 PM
Attachments:	OPG Funding and Liquidity update April 2018-v09_Markup3.docx

Pls. see attached consolidated revised version.

From: Ronald Kwan
Sent: Monday, April 23, 2018 3:10 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: RE: Liquidity Note

Hi John,

I just had already starting reviewing the other version. I'd be happy to review a consolidated, revised version.

Ron

From: John Kim
Sent: April-23-18 15:07
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: RE: Liquidity Note

Thanks Ron…happy to leave other changes out.

Pls. see attached.

John

From: Ronald Kwan
Sent: Monday, April 23, 2018 2:58 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: RE: Liquidity Note

Too late.

Ron

From: John Kim
Sent: April-23-18 14:46

To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: FW: Liquidity Note

Hi Ron,

Pls. use this version.

Thanks,

John

From: Bruno Amara
Sent: Monday, April 23, 2018 2:43 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Esther Jeon <Esther.Jeon@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: Liquidity Note

Hi John

Revised note attached.

Bruno

From: Shajee Kathirgamanathan
Sent: Monday, April 23, 2018 2:09 PM
To: Esther Jeon <Esther.Jeon@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Liquidity Note

Hi Esther,

Gavin and I added a bit more on the FHT part.

Please see attached.

File found here:
S:\Users\CEF\Hydro 2018\OPG\Funding and Liquidity\April 2018 - OEFC Board meeting

Thanks,
Shajee

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359

shajee.kathirgamanathan@ofina.on.ca

From: Esther Jeon
Sent: Monday, April 23, 2018 12:34 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Liquidity Note

Hi all,

I edited the most recent version sent by Gavin and updated the business plan section.
Please take a look, thank you!

-Esther

From: Gavin He
Sent: Monday, April 23, 2018 12:12 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>; Esther Jeon <Esther.Jeon@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Liquidity Note

Hi All,

I made some further updates to the note, see attached.

Shajee – for the notes offering last Wednesday, do we know how much was issued by subordinate debt and junior subordinate debt?

Regards,
Gavin He

From: John Kim
Sent: Monday, April 23, 2018 11:56 AM
To: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Esther Jeon <Esther.Jeon@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Liquidity Note

Could we update for that pls?

From: Gavin He
Sent: Monday, April 23, 2018 11:56 AM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>

Cc: Esther Jeon <Esther.Jeon@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Liquidity Note

Hi John,

Shajee and I were talking about this had the same question too. It doesn't look like the notes OPG issued are matching the assets purchased.

Regards,
Gavin He

From: John Kim
Sent: Monday, April 23, 2018 11:50 AM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Esther Jeon <Esther.Jeon@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Liquidity Note

Also, on the FHT section, if $1.2 bn is the assets purchased, why is the senior note on $500mn? Wouldn't it be 51%?

From: John Kim
Sent: Monday, April 23, 2018 11:41 AM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Esther Jeon <Esther.Jeon@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Liquidity Note

Thanks….any issue with the attached?

From: Bruno Amara
Sent: Monday, April 23, 2018 11:25 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Esther Jeon <Esther.Jeon@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Liquidity Note

Hi John

Esther has drafted the attached OPG liquidity note. SIFB and Capital markets have provided their input.

Bruno

Bruno Amara
Sr. Manager, Financial and Regulatory Analysis
Electricity Finance Branch
Corporate and Electricity Finance Division
Ontario Financing Authority

Tel: 416-325-1489
Email: bruno.amara@ofina.on.ca

OPG Funding and Liquidity Status Update
OEFC Board Meeting – April 27, 2018

Purpose

The purpose of this report is to outline the status of OPG's funding and liquidity position on an on-going basis, as directed at the December 2004 OEFC Board meeting.

Current Status

- As of February 2018, according to OPG's business plan, OPG projected ~~a~~ $273 million in cash at the end of 2018.
  - As of December 31, 2017, OPG had a cash position of $234 million.
  - In 2018, OPG expects to make dividend payments of over $475 million to the Shareholder with respect to the sale of OPG's head office and their Lakeview site.
    - ~~o~~ In March 2018, OPG paid $283M in net proceeds from the head office properties sale to the Province as prescribed in regulation under the *Trillium Trust Act, 2014.*
  - OPG had a $186 million cash position at the end of 2016.
- In June 2016, OEFC entered into a credit facility agreement with OPG for the latter to borrow up to $700 million for the purpose of financing general corporate purposes effective January 1, 2017 to the end of 2017, including for the Darlington refurbishment project. The Minister's directive from June 2016 allowed OEFC to extend the term of the credit facility to the end of 2018, and increase the amount of the credit facility based on the total financing amount identified in OPG's 2016-2018 Business Plan, following concurrence by the Minister of Energy. OPG obtained concurrence for its Business Plan in November 2016
  - OPG has also received concurrence from the Ministry of Energy for its 2017-2019 Business Plan. The~~e~~at Business Plan projected~~s~~ a borrowing need of $1,750 million in 2017 ($1,500 million in 2016-18 Business Plan) and $650 million total in 2018 ($850 million in 2016-18 Business Plan) from the credit facility. This revised amount~~change~~, in aggregate, is close to the approved amounts of the Minister's directive between 2017 and 2018, and the shift in the timing of about $200 million from 2018 to 2017 is consistent with the Directive on the total financing amount.
  - In September 2017, amendments to the credit facility were finalized to increase the facility to $2.35 billion and extend the expiry date to December 31, 2018.

Formatted: Font: Bold

Formatted

Formatted: Font: Bold

Formatted: Indent: Left: 0.75", Tab stops: 1", List tab + Not at 1.5"

- In the 20187-202119 Business Plan, OPG ~~is expected to~~ spent~~d~~ $1,249~~152~~ million in 2017 and projects to spend $1,231~~113~~ million in 2018 on the Darlington Refurbishment project.

~~- In September 2017, amendments to the credit facility were finalized to increase the facility to $2.35 billion and extend the expiry date to December 31, 2018.~~

- In 2017, OPG borrowed a total of $800 million under the credit facility. During the first quarter of 2018, ~~they~~it borrowed an additional $600 million. The term of all of the borrowings is 30 years.

- OPG filed its regulated rate application in May 2016 for rates starting as at January 1, 2017 and covering a period of 5 years from 2017 to 2021. The Ontario Energy Board (OEB) issued ~~their~~its decision in December 2017, and ~~their~~its decision determined that new prices would be applied with an effective date of June 1, 2017.

  - OPG recognized the impact of the OEB's decision in the fourth quarter of 2017, which resulted in a net revenue increase of approximately $480 million related to the June 1, 2017 to December 31, 2017 period, compared to the prior rates.

  - In January 2018, OPG submitted a draft payment amounts order to the OEB that implemented the decision's findings into the final proposed regulated prices. The OEB is expected to issue the final payment amounts order in the first half of 2018, at which time OPG will begin to collect revenues based on new regulated prices. The OEB's approval of the final payment amounts order is not expected to have a material impact on the amount of net revenue recorded in the fourth quarter of 2017.

  - In January 2018, OPG ~~has~~ filed a Notice of Motion to review and vary the OEB's decision of rates being effective June 1, 2017 instead of the requested date of January 1, 2017 and an oral hearing to present their arguments occurred on April 2017. This case is ~~still~~ currently being reviewed by the OEB.

  - An amended OEB decision with respect to the Motion to Review could affect OPG's longer term liquidity outlook and net income ~~related to the January 1, 2017 to May 31, 2017 period~~.

- OPG ~~has been~~was appointed the Financial Services Manager under the Ontario Fair Hydro Plan Act, 2017 (the Act) and, in December 2017, established the Fair Hydro Trust (the Trust) as the financing entity for the Act:

  - As reported in OPG's Q4 2017 Financial Statement, in December 2017 the Trust purchased its first tranche of financing receivable assets from the Independent Electricity System Operator in the amount of approximately $1.~~2~~18 billion. In February 2018, the Trust issued a total of $980 million in term debt funding consisting of $500 million ~~of~~ in senior notes payable, $382 million in

Commented [JK1]: Would it be OK to use the latest BP?

Commented [RK2]: But not compared to the 2017-19 Business Plan, was it?

Commented [JK3R2]: No, it is related to the new rates being effective.

Commented [RK4]: Makes it sounds as if there would be a restatement. Is that the case?

Commented [JK5R4]: I don't believe restatement is likely.

subordinated debt and $98 million in junior subordinated debt maturing in 2033. This left $199 million in OPG's warehouse funding facility.

- On March 22, 2018, OPG purchased the second tranche of financing receivable assets from the IESO in the amount of approximately $460 million.
- On April 19, 2018, the Trust issued $400 million of senior notes payable maturing in 2038. The amounts of subordinated and junior subordinated debts along with the amounts left in the warehouse funding facility are still to be determined.
- On April 20, 2018, OPG purchased the third tranche of financing receivable assets from the Independent Electricity System Operator in the amount of approximately $149 million. Additional note offerings are anticipated.

- **OPG Current Financial Outlook, based upon financing updates up to December 31, 2017:** (Note – numbers are subject to rounding)

Calendar Years,($ millions)	**2017 Actual**	**Q1-Q4 2018 Forecast**	**2018 Forecast**
Opening Cash	**186**	**48**	**234**
Cash from Operations	944	524	1,468
Approved Capital Expenditures	(1,853)	(213)	(2,066)
PS Term Deposit Maturity	70	(70)	-
Pre-tax Proceeds – Sale of Head Office	484	(484)	-
Pre-tax Proceeds – Sale of Lakeview Site	-	267	267
Acquisition of Fair Hydro Trust financing receivables	(1,179)	(1,147)	(2,326)
Maturing Debt	(1,103)	705	(398)
New Debt to OEFC and Additional Corporate Debt*	1,301	(110)	1,191
Issuance of Fair Hydro Trust long-term debt	601	583	1,184
Issuance of Class A Shares**	519	503	1,022
Commercial Paper	260	(60)	200
Distributions to Non-Controlling Interest	(15)	(7)	(22)
Capital Contribution from Non-Controlling Interest	19	(19)	-
Dividends (Net Proceeds of Distribution to Trillium Trust***)	-	(482)	(482)
Net Cash flow	**48**	**(9)**	**39**

Ending Cash	**234**	**39**	**273**

* Financing from OEFC for general corporate purposes including Darlington Refurbishment project. The current credit facility allows up to $2.35 billion to the end of 2018 consistent with 2016-2018 OPG Business Plan. As of December 31, 2017 debt to OEFC totaled to $800M and in Oct 2017 OPG issued $500M of senior notes payable under a Medium Term Note Program for general corporate purposes.

** In December 2017, OPG issued non-voting Class A shares to the Province for its equity injection in the company, generating proceeds of $519M. These proceeds were used by OPG to purchase the Fair Hydro Trust's subordinated debt in the amount of 44%of the total funding requirement for the Trust's acquisition of Investment Interest from the IESO in December 2017.

*** The Trillium Trust regulation for the head office properties was filed in March 2018, with OPG paying the net proceeds of approximately $283M shortly after as a dividend to the Province. Note that the Trillium Trust regulation timing for the Lakeview site is likely to be in 2018. Analysis and verification of records in support of prescribed costs under the *Trillium Trust Act, 2014* needs to be undertaken.

Background

Formatted: None

The following table provides the details of deferrals of debt and interest payments, refinancing, and new loans commencing from December of 2004.

Timing	Action	Details
July 2016 Board meeting	Received Minister's Directive on June 17, 2016, for general corporate purposes including Darlington Refurbishment project up to $700 million. Directive provides approval for subsequent loans not totalling more than $2.3 billion but is subject to concurrence by Shareholder with OPG's business plan, and to not exceed $3 billion in total.	Under credit facility, loans shall have a term not exceeding thirty years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread based on a survey of market rates. Interest rate and term of each loan shall be determined by OEFC. Loan agreement signed on June 17, 2016. An amendment was signed on September 6, 2017 to increase the amount of the credit facility to $1.5 billion in 2017 and $850 million in 2018.
December 2014 Board meeting	Subject to receiving Minister's Directive for general corporate purposes including Darlington Refurbishment project up to $800 million.	Under the credit facility, up to 50% of advances may have a term up to 30 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Received Minister's directive on December 18, 2014. Loan agreement was signed on December 22, 2014.
December 2013 Board meeting	Received Minister's Directive for general corporate purposes including Darlington Refurbishment project up to $500 million.	Under the credit facility, up to 50% of advances may have a term up to 30 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on December 20, 2013.
April 2012 Board meeting	Received Minister's Directive for refinancing of maturing debt up to $400 million.	Under the credit facility, advances up to $200 million may have a term up to 30 years. The remaining $200 million may have a term up to 10 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on April 26, 2012.
April 2011 Board meeting	Received Minister's Directive for refinancing of maturing debt up to $375 million.	Under the credit facility, each advance will have a term up to 30 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on March 7, 2011.
September 2010 Board meeting	Received Minister's Directive for $700 million loan to OPG for the Lower Mattagami project.	Under the credit facility each advance will have a term up to 10 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement was signed on March 7, 2011.

Timing	Action	Details
September 2009 Board meeting	Subject to receiving Minister's directives, approved the refinancing of maturing debt up to $970 million and an increase in the Niagara Tunnel loan to $1.6 billion.	The refinancing debt facility will have a term of one year; each advance will have a term up to 10 years. The interest rate will be based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Received Minister's directive on January 20, 2010 for refinancing up to $970 million of maturing debt. Loan agreement signed March 8, 2010. Received Minister's directive on April 22, 2010 for increase in the Niagara Tunnel loan to $1.6 billion and extension of the expiry date to December 2014. Amendment signed July 21, 2010.
June 2007 Board meeting	Pursuant to a Minister's directive dated June 11, 2007, approved a loan for up to $950 million for refinancing debt issued to OEFC and a loan for up to $500 million for general corporate requirements.	Structured to provide advances in tranches. The ability to draw on the refinancing facility to expire on Dec 31, 2009, and the general corporate requirements facility expired on March 31, 2008 (OPG has fully drawn on this facility). Each advance shall have a term up to 10 years. The interest rate is based on the Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement for the general corporate requirements signed on June 14, 2007. Loan agreement for the refinancing maturing debt signed on July 6, 2007.
April 2006 Board meeting	Subject to receiving a Minister's directive, approved a loan for up to $400 million for the Portlands project and a loan for up to $50 for the Lac Seul project.	Structured to provide advances in tranches over a 3 year period. Each advance shall have a term as may be determined by the Chief Executive Officer of OEFC or his/her designate. Interest based on Government of Canada benchmark bond yield plus a spread determined by OEFC. Minister's Directives dated October 25, 2006. Loan agreements for the Portlands and Lac Seul projects signed on December 6, 2006.
September 2005 Board meeting	Pursuant to the Minister's Directive dated August 18, 2005, approved loan for up to $1 billion for the Niagara Tunnel project.	Structured to provide advances in tranches over a 5 year period commencing in 2005. Terms of each advance not to exceed 10 years. Interest based on Government of Canada benchmark bond yield plus a spread determined by OEFC. Loan agreement signed on September 21, 2005.

Timing	Action	Details
September 2005 Board meeting (cont'd)	Subject to receiving a Minister's Directive, approved a loan for up to $95 million for the Thunder Bay conversion.	Structured to provide advances in tranches over a 2 year period commencing late 2005 or early 2006. Terms of each advance not to exceed 10 years. Interest based on Government of Canada benchmark bond yield plus a spread determined by OEFC. Minister's Directive dated September 26, 2005. Loan agreement signed on November 14, 2005. In June 2006 the Government revoked its Directive to OPG on the Thunder Bay conversion project. OEFC and OPG terminated the loan agreement on September 29, 2006.
June 2005 Board meeting	OEFC Board was advised that OPG had approached OFA/OEFC to get funding indications for Niagara Tunnel Project. While the government had provided overall support for the Niagara Tunnel Project, OEFC Board advised that staff would be coming back to the board to request a loan once a directive had been obtained	
March 2005 Board meeting	Pursuant to a Minister's Directive, $600 million in loans was approved to address OPG operating cash flow funding requirements from April 1, 2005 to March 31, 2006	Structured to provide for drawdowns in 1 or more tranches at market rates for terms ranging from 3 to 7 years. Rates determined by OEFC. In May 2005, OPG borrowed $400 million, for a 7 year term at 5.715% (spread of 1.75% over the respective Canada bond)
	Loan approval for $98 million to OPG for a 5 year term commencing September 22, 2005	Loan to offset interest payments on loans due that day and to be extended at market rates determined by OEFC. Subsequently, OPG declined this loan due to higher than expected revenues.
December 2004 Board meeting	Extend $250 million March 22, 2005 debt maturity for another 5 years	Original average 5.62% borrowing cost maintained for extended loan
	Extend $250 million September 22, 2005 debt maturity for another 5 years	Original average 5.62% borrowing cost maintained for extended loan
	Loan $95 million to OPG for a 5 year term commencing Mar. 22, 2005	Loan to offset interest payments on loans due that day and 5.62% rate used for new loan

OPG Debt Maturity Schedule (at April 23, 2018, 2017):

Maturity Date	Coupon Rate (%)	Amount ($ m)
Jul 22, 2018	5.497	50
Oct 22, 2018	6.325	20
Jan 22, 2019	6.178	40
Mar 22, 2019	5.651	100
Apr 22, 2019	5.635	75
Jul 22, 2019	5.184	65
Oct 22, 2019	4.857	85
Jan 22, 2020	4.618	50
Mar 22, 2020	4.679	230
Apr 22, 2020	4.954	65
Jul 22, 2020	4.658	35
Sep 22, 2020	4.391	230
Oct 22, 2020	4.094	50
Jan 22, 2021	4.573	40
Apr 22, 2021	4.633	35
Jul 22, 2021	4.152	50
Oct 22, 2021	3.985	60
Jan 22, 2022	3.583	40
Apr 22, 2022	3.521	35
Jul 22, 2022	2.981	45
Oct 22, 2022	3.163	30
Jan 22, 2023	3.27	20
Apr 22, 2023	2.961	20
Nov 22, 2026	3.037	50
Mar 22, 2041	5.397	150
Sep 22, 2041	4.74	150
Apr 22, 2042	4.356	200
Nov 22, 2046	4.028	50
Feb 22, 2047	4.122	200
Jun 22, 2047	3.648	100
Aug 22, 2047	3.858	100
Sep 22, 2047	4.066	400
Jan 22, 2048	3.874	200
Mar 22, 2048	3.997	400
Total Outstanding		**3,470.0**

Status of Project Financing (at April 23, 2018):

Project	Amount Authorized under Loan Agreement	Total Borrowing to Date	Expiry Date of Loan Agreement	Status of Project
Corporate Credit Facility	$2.35 billion	$1,400 million	Dec 31, 2018	-
Niagara Tunnel	$1.6 billion	$1,065 million	Dec 30, 2014	Completed
Portlands	$400 million	$390 million	Dec 29, 2009	Completed
Lac Seul	$50 million	$50 million	Dec 29, 2009	Completed
Lower Mattagami	$700 million	-	June 30, 2016	Completed

Prepared by:
Electricity Finance Branch and Capital Market Division
April 23, 2018

From:	John Kim
To:	Ken Kandeepan
Cc:	Mike Manning
Subject:	RE: OFHP - Business Issue next steps
Date:	Tuesday, July 11, 2017 3:35:46 PM

Yes, for sure.

From: Ken Kandeepan
Sent: Tuesday, July 11, 2017 3:33 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

Thanks pls cc me and Mike on these issues in the future since both Scott and Kaitlin do include both of us in their communications. I see that in the email chain below the first few emails are addressed to all three of us and it would be appropriate if you kept us informed as you consulted with others including Legal.

Ken K

From: John Kim
Sent: Tuesday, July 11, 2017 3:30 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: FW: OFHP - Business Issue next steps

Fyi, this is the string where we told Kaitlin that the OFA is not agreeable to being a party to.

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Tuesday, July 11, 2017 2:49 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Kenneth Russell <Kenneth.Russell@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: OFHP - Business Issue next steps

Ok I'll run that by ENE and see if there's any major concerns. Couple follow ups:

1. Can we still have a contact at OFA listed in the MSA that OPG can provide notice to?
2. When do you expect a draft SLA/MOU to be ready for ENE legal review?
3. Will ENE need to give OFA approval every month to issue the equity or can we delegate that authority for "up to xxB annually"?

Thanks,
Kaitlin

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: July 11, 2017 2:16 PM
To: Montgomery, Kaitlin (MOF)
Cc: Bruno Amara; Russell, Kenneth (OFA); Neville, Sarah (OFA); Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF)
Subject: RE: OFHP - Business Issue next steps

Hi Kaitlin,

Following our call, I had an internal discussion. Our preference is that the OFA not be a party to the Master Subscription Agreement. If we are to be a party, the agreement would need to reviewed and reworked fairly materially. If there is a strong view on wanting to see the OFA as party to it, then let's go down that path and have that discussion.

Whether it be an MOU or SLA, the OFA and Energy would be able to set out the terms of the equity injection.

Happy to discuss.

John

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Friday, July 07, 2017 3:34 PM
To: John Kim <John.Kim@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Kenneth Russell <Kenneth.Russell@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

It's based on a high-level term sheet that the policy areas were comfortable with (attached), though this wasn't ever formally approved or moved up the chain it was more just to get staff aligned so not locked into anything by any means.

I have not seen the Master Sale and Servicing Agreement - I have heard it mentioned a couple times through so suspect ENE legal would have a copy.

I think the purpose of having OFA be a direct party is to make sure OPG, OFA and ENE are all fully aware of each of their roles and to formalise the authority for OPG to deal directly with the OFA on the item. The high-level idea is that while ENE will be responsible for getting the annual appropriations, there is no monthly approval process/role for ENE. ENE will be one of the parties to receive notice, but it makes sense for the Subscription notice to go directly to OFA so ENE isn't a middle man adding time pressure. I was hopeful that this agreement could act as sort of a delegation of authority to some extent.

I agree the SLA is duplicative in this regard - my preference would be to scrap the SLA and just have the master agreement if it can accomplish the above intention, but if there is a preference to have a

separate SLA and make the Master agreement just between OPG and ENE then happy to proceed on that basis.

Happy to discuss,
Kaitlin
416.326.6343

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: July 7, 2017 3:12 PM
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF)
Cc: Bruno Amara; Russell, Kenneth (OFA); Neville, Sarah (OFA); Montgomery, Kaitlin (MOF)
Subject: RE: OFHP - Business Issue next steps

Hi Malle,

My understanding is that OPG staff drafted the draft agreement. Clara Greco at OPG is the contact person.

Looping Kaitlin in as she has been in contact with OPG on this one.

Thanks,

John

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, July 06, 2017 10:04 AM
To: John Kim <John.Kim@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Kenneth Russell <Kenneth.Russell@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

Hi John,

Both OFA Legal and I have reviewed the subscription agreement on a preliminary basis. Why has the OFA been made a direct party to the agreement as it seems that the OFA has a “service” type function here which could be accommodated by a service level agreement between the Ministry Energy and the OFA.

Do you know who prepared this draft and is it based on a term sheet or another document that sets out what the roles of the various parties in this would be.

Thank you.

Malle

From: Hanslep, Malle (MOF)
Sent: July 5, 2017 9:57 AM
To: Kim, John (OFA); Whitfield, Tobias P. (MOF)

Cc: Bruno Amara
Subject: RE: OFHP - Business Issue next steps

Hi John,

Since OFA is directly being made a party to the subscription agreement, we should also get OFA legal's input so I will send this to Sarah Neville for her review too if that's ok. As well I would like to discuss the northern service level agreement with them and whether there are other situations where the OFA acts as an agent to make payments out of the CRF. I agree that some type of service level agreement would

I notice that the subscription agreement mentions that the first equity injection/share subscription will occur August 2017. Is this a realistic timeframe?

The commitments in section 1 seem very broad and open-ended – The Minister of Energy commits to fund up to 44% of the total financing required by the Fair Hydro Trust, to acquire Assets from the IESO under the Act and Regulations by way of equity subscription in OPG. The Master Sale and Servicing Agreement is in square brackets. Is a draft copy of this agreement available for review?

Also not sure what the purpose of s. 3.4 is and whether the Minister of Energy can agree to this process. I note that there is a note to draft there already.

Tom McKinlay of Energy Legal is also reviewing this draft and called to discuss it with me.

Thanks.

Malle

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: July 4, 2017 1:48 PM
To: Whitfield, Tobias P. (MOF)
Cc: Bruno Amara; Hanslep, Malle (MOF)
Subject: FW: OFHP - Business Issue next steps

Hi Toby,

Just wanted to get something going with an introductory email and to provide you with some context.

Pls. take a look at the Fair Hydro Master Subscription Agreement and the way the equity injection mechanism is envisioned, the operational set up with be under some sort of a service level agreement between Energy and OFA to facilitate the proposed monthly equity injection.

I have a type of service level agreement or MOU in this instance for the Northern Industrial Electricity Rate program as attached. We are hoping something similar could be put in place between Energy and the OFA for this purpose. (The MOU had been drafted by OFA Legal a few

years ago when NIER first came into place and have been revised a few times since)

Happy to discuss.

Thanks,

John

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Wednesday, June 28, 2017 9:55 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

Thanks Ken – Are you aware how the potential timing issue with appropriations is handled on the credit side? OPG seemed to think that the OFA had some process in place so that even though only 1 year of appropriations is approved at a time there is always coverage post March 31, 2017 in the event the budget is delayed but OPG needs to borrow. I was just hoping to incorporate something similar on the ENE side so that we don't run into any issues.

OPG provided a draft Master Subscription Agreement based on the term sheet. I will run this by legal as well but please feel free to provide comments/edits.

Kaitlin

From: Ken Kandeepan [mailto:Ken.Kandeepan@ofina.on.ca]
Sent: June 24, 2017 11:45 AM
To: Montgomery, Kaitlin (MOF)
Cc: Kim, John (OFA); Manning, Mike (OFA)
Subject: RE: OFHP - Business Issue next steps

Hi Kaitlin

My apologies for the delay in responding, just going through my emails from last week, I am ok with the term sheet, you had however, raised a comment re the appropriations. Note that since the OFA will simply be a service provided in this arrangement, i.e.,
We will not be able to provide cash management services including the transfer of the funds from the Province to OPG for the equity injection until the appropriations are approved.

Thanks

Ken k

From
: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Wednesday, June 21, 2017 2:27 PM
To: John Kim <John.Kim@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike

Manning <Mike.Manning@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

Hi all – just following up on the equity injection term sheet. I'm going to send this to ENE legal now so that they can start to digest given that the next step will be preparation of the Master Subscription Agreement. I'm assuming there aren't any major concerns but if there are items you'd like to modify if you could pass those along this week I'd appreciate it. Please note that there is a question embedded in the document regarding appropriations that I'm hoping one of you will have insight on.

At the meeting with OPG a few weeks back you had mentioned that there would likely need to be some sort of Service Level Agreement between OFA and ENE – is there a similar agreement you already have in place that we could work from?

Thanks,
Kaitlin

From: Montgomery, Kaitlin (MOF)
Sent: June 5, 2017 3:55 PM
To: Kim, John (OFA) (John.Kim@ofina.on.ca); Kandeepan, Ken (OFA) (Ken.Kandeepan@ofina.on.ca); Manning, Mike (OFA)
Subject: OFHP - Business Issue next steps

Hi everyone,

As a follow up to today's meeting there are a couple items I think can move forward at this point.

1. Equity Injection Mechanics (draft term sheet attached)
    a. If comfortable, OPG would draft Master Subscription agreement, OFA/ENE would develop service level agreement for cash management services and ENE legal would move forward with amendment to OPG articles to facilitate new class of shares
2. Performance Fee Recommendation (OPG recommended approach attached)
    a. If comfortable, OPG would assist ENE in developing regulation language

My proposed next steps, subject to your agreement, would be to share these documents with ENE legal today and then table them at a Thursday morning meeting with ENE DMO/MO (along with an updated "business issues" note, which I'll send around for everyone's input in the next day or so). After that meeting I would send the same materials /update to MOF DMO along with any new updates received at that meeting.

Could you please confirm you have no further comments and that you agree with this approach and also that there's no other materials/terms that you think need to move up through approvals at this point in time?

Thanks in advance,
Kaitlin

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: John Kim
To: Ken Kandeepan
Subject: RE: OFHP - Business Issue next steps
Date: Tuesday, July 11, 2017 3:20:27 PM

Hi Ken,

Risa's comment made me look up the attachment that she was referring to.

I believe there is a later version of the Master Subscription Agreement that Kailin shared which surprisingly is much more simplified.

One other thing is, Ken Russell and Sarah Neville both are expressing that the OFA not be a party to this particular agreement.

Thanks,

John

From: Risa Thau
Sent: Tuesday, July 11, 2017 2:50 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; George Sakura <George.Sakura@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Alfonso Soriano <Alfonso.Soriano@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

Hi Ken,

I read over the agreement and have one change. In Exhibit D "Payment/Wire Transfer Instructions" the legal name and address of the beneficiary (I assume OPG) has to be included.

Thanks,

Risa Thau

From: Ken Kandeepan
Sent: Sunday, July 09, 2017 11:39 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; George Sakura <George.Sakura@ofina.on.ca>; Risa Thau <Risa.Thau@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Alfonso Soriano <Alfonso.Soriano@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: FW: OFHP - Business Issue next steps

I went through this quickly and I don't have any comments; I believe that the actual transfer of funds to OPG for the equity injection will be governed by a SLA between OFA and the Ministry of Energy

and we of course need to review that carefully. However, I would like you take a quick look and let me know if you have any comments.

Thanks

Ken k

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Thursday, July 06, 2017 9:12 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: FW: OFHP - Business Issue next steps

As mentioned yesterday – this is a draft of the Master Subscription Agreement.

Please let me know if you have any suggested edits.

Kaitlin

From: Montgomery, Kaitlin (MOF)
Sent: June 28, 2017 9:55 AM
To: Kandeepan, Ken (OFA)
Cc: Kim, John (OFA); Manning, Mike (OFA)
Subject: RE: OFHP - Business Issue next steps

Thanks Ken – Are you aware how the potential timing issue with appropriations is handled on the credit side? OPG seemed to think that the OFA had some process in place so that even though only 1 year of appropriations is approved at a time there is always coverage post March 31, 2017 in the event the budget is delayed but OPG needs to borrow. I was just hoping to incorporate something similar on the ENE side so that we don't run into any issues.

OPG provided a draft Master Subscription Agreement based on the term sheet. I will run this by legal as well but please feel free to provide comments/edits.

Kaitlin

From: Ken Kandeepan [mailto:Ken.Kandeepan@ofina.on.ca]
Sent: June 24, 2017 11:45 AM
To: Montgomery, Kaitlin (MOF)
Cc: Kim, John (OFA); Manning, Mike (OFA)
Subject: RE: OFHP - Business Issue next steps

Hi Kaitlin

My apologies for the delay in responding, just going through my emails from last week, I am ok with the term sheet, you had however, raised a comment re the appropriations. Note that since the OFA will simply be a service provided in this arrangement, i.e.,
We will not be able to provide cash management services including the transfer of the funds from

the Province to OPG for the equity injection until the appropriations are approved.

Thanks

Ken k

From
: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Wednesday, June 21, 2017 2:27 PM
To: John Kim <John.Kim@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

Hi all – just following up on the equity injection term sheet. I'm going to send this to ENE legal now so that they can start to digest given that the next step will be preparation of the Master Subscription Agreement. I'm assuming there aren't any major concerns but if there are items you'd like to modify if you could pass those along this week I'd appreciate it. Please note that there is a question embedded in the document regarding appropriations that I'm hoping one of you will have insight on.

At the meeting with OPG a few weeks back you had mentioned that there would likely need to be some sort of Service Level Agreement between OFA and ENE – is there a similar agreement you already have in place that we could work from?

Thanks,
Kaitlin

From: Montgomery, Kaitlin (MOF)
Sent: June 5, 2017 3:55 PM
To: Kim, John (OFA) (John.Kim@ofina.on.ca); Kandeepan, Ken (OFA) (Ken.Kandeepan@ofina.on.ca); Manning, Mike (OFA)
Subject: OFHP - Business Issue next steps

Hi everyone,

As a follow up to today's meeting there are a couple items I think can move forward at this point.

1. Equity Injection Mechanics (draft term sheet attached)
    a. If comfortable, OPG would draft Master Subscription agreement, OFA/ENE would develop service level agreement for cash management services and ENE legal would move forward with amendment to OPG articles to facilitate new class of shares
2. Performance Fee Recommendation (OPG recommended approach attached)
    a. If comfortable, OPG would assist ENE in developing regulation language

My proposed next steps, subject to your agreement, would be to share these documents with ENE legal today and then table them at a Thursday morning meeting with ENE DMO/MO (along with an updated "business issues" note, which I'll send around for everyone's input in the next day or so).

After that meeting I would send the same materials /update to MOF DMO along with any new updates received at that meeting.

Could you please confirm you have no further comments and that you agree with this approach and also that there's no other materials/terms that you think need to move up through approvals at this point in time?

Thanks in advance,
Kaitlin

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	John Kim
To:	"Montgomery, Kaitlin (MOF)"
Cc:	Bruno Amara; Kenneth Russell; Sarah Neville; Malle Hanslep (MOF); Tobias P. Whitfield (MOF)
Subject:	RE: OFHP - Business Issue next steps
Date:	Tuesday, July 11, 2017 2:16:11 PM

Hi Kaitlin,

Following our call, I had an internal discussion. Our preference is that the OFA not be a party to the Master Subscription Agreement. If we are to be a party, the agreement would need to reviewed and reworked fairly materially. If there is a strong view on wanting to see the OFA as party to it, then let's go down that path and have that discussion.

Whether it be an MOU or SLA, the OFA and Energy would be able to set out the terms of the equity injection.

Happy to discuss.

John

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Friday, July 07, 2017 3:34 PM
To: John Kim <John.Kim@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Kenneth Russell <Kenneth.Russell@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

It's based on a high-level term sheet that the policy areas were comfortable with (attached), though this wasn't ever formally approved or moved up the chain it was more just to get staff aligned so not locked into anything by any means.

I have not seen the Master Sale and Servicing Agreement - I have heard it mentioned a couple times through so suspect ENE legal would have a copy.

I think the purpose of having OFA be a direct party is to make sure OPG, OFA and ENE are all fully aware of each of their roles and to formalise the authority for OPG to deal directly with the OFA on the item. The high-level idea is that while ENE will be responsible for getting the annual appropriations, there is no monthly approval process/role for ENE. ENE will be one of the parties to receive notice, but it makes sense for the Subscription notice to go directly to OFA so ENE isn't a middle man adding time pressure. I was hopeful that this agreement could act as sort of a delegation of authority to some extent.

I agree the SLA is duplicative in this regard - my preference would be to scrap the SLA and just have the master agreement if it can accomplish the above intention, but if there is a preference to have a separate SLA and make the Master agreement just between OPG and ENE then happy to proceed on

that basis.

Happy to discuss,
Kaitlin
416.326.6343

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: July 7, 2017 3:12 PM
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF)
Cc: Bruno Amara; Russell, Kenneth (OFA); Neville, Sarah (OFA); Montgomery, Kaitlin (MOF)
Subject: RE: OFHP - Business Issue next steps

Hi Malle,

My understanding is that OPG staff drafted the draft agreement. Clara Greco at OPG is the contact person.

Looping Kaitlin in as she has been in contact with OPG on this one.

Thanks,

John

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, July 06, 2017 10:04 AM
To: John Kim <John.Kim@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Kenneth Russell <Kenneth.Russell@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

Hi John,

Both OFA Legal and I have reviewed the subscription agreement on a preliminary basis. Why has the OFA been made a direct party to the agreement as it seems that the OFA has a "service" type function here which could be accommodated by a service level agreement between the Ministry Energy and the OFA.

Do you know who prepared this draft and is it based on a term sheet or another document that sets out what the roles of the various parties in this would be.

Thank you.

Malle

From: Hanslep, Malle (MOF)
Sent: July 5, 2017 9:57 AM
To: Kim, John (OFA); Whitfield, Tobias P. (MOF)
Cc: Bruno Amara

Subject: RE: OFHP - Business Issue next steps

Hi John,

Since OFA is directly being made a party to the subscription agreement, we should also get OFA legal's input so I will send this to Sarah Neville for her review too if that's ok. As well I would like to discuss the northern service level agreement with them and whether there are other situations where the OFA acts as an agent to make payments out of the CRF. I agree that some type of service level agreement would

I notice that the subscription agreement mentions that the first equity injection/share subscription will occur August 2017. Is this a realistic timeframe?

The commitments in section 1 seem very broad and open-ended – The Minister of Energy commits to fund up to 44% of the total financing required by the Fair Hydro Trust, to acquire Assets from the IESO under the Act and Regulations by way of equity subscription in OPG. The Master Sale and Servicing Agreement is in square brackets. Is a draft copy of this agreement available for review?

Also not sure what the purpose of s. 3.4 is and whether the Minister of Energy can agree to this process. I note that there is a note to draft there already.

Tom McKinlay of Energy Legal is also reviewing this draft and called to discuss it with me.

Thanks.

Malle

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: July 4, 2017 1:48 PM
To: Whitfield, Tobias P. (MOF)
Cc: Bruno Amara; Hanslep, Malle (MOF)
Subject: FW: OFHP - Business Issue next steps

Hi Toby,

Just wanted to get something going with an introductory email and to provide you with some context.

Pls. take a look at the Fair Hydro Master Subscription Agreement and the way the equity injection mechanism is envisioned, the operational set up with be under some sort of a service level agreement between Energy and OFA to facilitate the proposed monthly equity injection.

I have a type of service level agreement or MOU in this instance for the Northern Industrial Electricity Rate program as attached. We are hoping something similar could be put in place between Energy and the OFA for this purpose. (The MOU had been drafted by OFA Legal a few years ago when NIER first came into place and have been revised a few times since)

Happy to discuss.

Thanks,

John

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Wednesday, June 28, 2017 9:55 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

Thanks Ken – Are you aware how the potential timing issue with appropriations is handled on the credit side? OPG seemed to think that the OFA had some process in place so that even though only 1 year of appropriations is approved at a time there is always coverage post March 31, 2017 in the event the budget is delayed but OPG needs to borrow. I was just hoping to incorporate something similar on the ENE side so that we don't run into any issues.

OPG provided a draft Master Subscription Agreement based on the term sheet. I will run this by legal as well but please feel free to provide comments/edits.

Kaitlin

From: Ken Kandeepan [mailto:Ken.Kandeepan@ofina.on.ca]
Sent: June 24, 2017 11:45 AM
To: Montgomery, Kaitlin (MOF)
Cc: Kim, John (OFA); Manning, Mike (OFA)
Subject: RE: OFHP - Business Issue next steps

Hi Kaitlin

My apologies for the delay in responding, just going through my emails from last week, I am ok with the term sheet, you had however, raised a comment re the appropriations. Note that since the OFA will simply be a service provided in this arrangement, i.e.,
We will not be able to provide cash management services including the transfer of the funds from the Province to OPG for the equity injection until the appropriations are approved.

Thanks

Ken k

From
: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Wednesday, June 21, 2017 2:27 PM
To: John Kim <John.Kim@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>

Subject: RE: OFHP - Business Issue next steps

Hi all – just following up on the equity injection term sheet. I'm going to send this to ENE legal now so that they can start to digest given that the next step will be preparation of the Master Subscription Agreement. I'm assuming there aren't any major concerns but if there are items you'd like to modify if you could pass those along this week I'd appreciate it. Please note that there is a question embedded in the document regarding appropriations that I'm hoping one of you will have insight on.

At the meeting with OPG a few weeks back you had mentioned that there would likely need to be some sort of Service Level Agreement between OFA and ENE – is there a similar agreement you already have in place that we could work from?

Thanks,
Kaitlin

From: Montgomery, Kaitlin (MOF)
Sent: June 5, 2017 3:55 PM
To: Kim, John (OFA) (John.Kim@ofina.on.ca); Kandeepan, Ken (OFA) (Ken.Kandeepan@ofina.on.ca); Manning, Mike (OFA)
Subject: OFHP - Business Issue next steps

Hi everyone,

As a follow up to today's meeting there are a couple items I think can move forward at this point.

1. Equity Injection Mechanics (draft term sheet attached)
    a. If comfortable, OPG would draft Master Subscription agreement, OFA/ENE would develop service level agreement for cash management services and ENE legal would move forward with amendment to OPG articles to facilitate new class of shares
2. Performance Fee Recommendation (OPG recommended approach attached)
    a. If comfortable, OPG would assist ENE in developing regulation language

My proposed next steps, subject to your agreement, would be to share these documents with ENE legal today and then table them at a Thursday morning meeting with ENE DMO/MO (along with an updated "business issues" note, which I'll send around for everyone's input in the next day or so). After that meeting I would send the same materials /update to MOF DMO along with any new updates received at that meeting.

Could you please confirm you have no further comments and that you agree with this approach and also that there's no other materials/terms that you think need to move up through approvals at this point in time?

Thanks in advance,
Kaitlin

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	John Kim
To:	Ken Kandeepan
Cc:	Mike Manning
Subject:	RE: OFHP - Business Issue next steps
Date:	Tuesday, July 11, 2017 3:49:21 PM

And the discussion I have had with Malle / Toby was - whether the OFA is able to effect the equity injection without Energy providing the request each month. But you're right that it makes no sense to have parallel discussions without copying each other.

From: John Kim
Sent: Tuesday, July 11, 2017 3:36 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

Yes, for sure.

From: Ken Kandeepan
Sent: Tuesday, July 11, 2017 3:33 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

Thanks pls cc me and Mike on these issues in the future since both Scott and Kaitlin do include both of us in their communications. I see that in the email chain below the first few emails are addressed to all three of us and it would be appropriate if you kept us informed as you consulted with others including Legal.

Ken K

From: John Kim
Sent: Tuesday, July 11, 2017 3:30 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: FW: OFHP - Business Issue next steps

Fyi, this is the string where we told Kaitlin that the OFA is not agreeable to being a party to.

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Tuesday, July 11, 2017 2:49 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Kenneth Russell <Kenneth.Russell@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: OFHP - Business Issue next steps

Ok I'll run that by ENE and see if there's any major concerns. Couple follow ups:

1. Can we still have a contact at OFA listed in the MSA that OPG can provide notice to?
2. When do you expect a draft SLA/MOU to be ready for ENE legal review?
3. Will ENE need to give OFA approval every month to issue the equity or can we delegate that authority for "up to xxB annually"?

Thanks,
Kaitlin

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: July 11, 2017 2:16 PM
To: Montgomery, Kaitlin (MOF)
Cc: Bruno Amara; Russell, Kenneth (OFA); Neville, Sarah (OFA); Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF)
Subject: RE: OFHP - Business Issue next steps

Hi Kaitlin,

Following our call, I had an internal discussion. Our preference is that the OFA not be a party to the Master Subscription Agreement. If we are to be a party, the agreement would need to reviewed and reworked fairly materially. If there is a strong view on wanting to see the OFA as party to it, then let's go down that path and have that discussion.

Whether it be an MOU or SLA, the OFA and Energy would be able to set out the terms of the equity injection.

Happy to discuss.

John

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Friday, July 07, 2017 3:34 PM
To: John Kim <John.Kim@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Kenneth Russell <Kenneth.Russell@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

It's based on a high-level term sheet that the policy areas were comfortable with (attached), though this wasn't ever formally approved or moved up the chain it was more just to get staff aligned so not locked into anything by any means.

I have not seen the Master Sale and Servicing Agreement - I have heard it mentioned a couple times through so suspect ENE legal would have a copy.

I think the purpose of having OFA be a direct party is to make sure OPG, OFA and ENE are all fully aware of each of their roles and to formalise the authority for OPG to deal directly with the OFA on the item. The high-level idea is that while ENE will be responsible for getting the annual appropriations, there is no monthly approval process/role for ENE. ENE will be one of the parties to receive notice, but it makes sense for the Subscription notice to go directly to OFA so ENE isn't a middle man adding time pressure. I was hopeful that this agreement could act as sort of a delegation of authority to some extent.

I agree the SLA is duplicative in this regard - my preference would be to scrap the SLA and just have the master agreement if it can accomplish the above intention, but if there is a preference to have a separate SLA and make the Master agreement just between OPG and ENE then happy to proceed on that basis.

Happy to discuss,
Kaitlin
416.326.6343

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: July 7, 2017 3:12 PM
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF)
Cc: Bruno Amara; Russell, Kenneth (OFA); Neville, Sarah (OFA); Montgomery, Kaitlin (MOF)
Subject: RE: OFHP - Business Issue next steps

Hi Malle,

My understanding is that OPG staff drafted the draft agreement. Clara Greco at OPG is the contact person.

Looping Kaitlin in as she has been in contact with OPG on this one.

Thanks,

John

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, July 06, 2017 10:04 AM
To: John Kim <John.Kim@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Kenneth Russell <Kenneth.Russell@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

Hi John,

Both OFA Legal and I have reviewed the subscription agreement on a preliminary basis. Why has the OFA been made a direct party to the agreement as it seems that the OFA has a "service" type function here which could be accommodated by a service level agreement between the Ministry Energy and the OFA.

Do you know who prepared this draft and is it based on a term sheet or another document that sets out what the roles of the various parties in this would be.

Thank you.

Malle

From: Hanslep, Malle (MOF)
Sent: July 5, 2017 9:57 AM
To: Kim, John (OFA); Whitfield, Tobias P. (MOF)
Cc: Bruno Amara
Subject: RE: OFHP - Business Issue next steps

Hi John,

Since OFA is directly being made a party to the subscription agreement, we should also get OFA legal's input so I will send this to Sarah Neville for her review too if that's ok. As well I would like to discuss the northern service level agreement with them and whether there are other situations where the OFA acts as an agent to make payments out of the CRF. I agree that some type of service level agreement would

I notice that the subscription agreement mentions that the first equity injection/share subscription will occur August 2017. Is this a realistic timeframe?

The commitments in section 1 seem very broad and open-ended – The Minister of Energy commits to fund up to 44% of the total financing required by the Fair Hydro Trust, to acquire Assets from the IESO under the Act and Regulations by way of equity subscription in OPG. The Master Sale and Servicing Agreement is in square brackets. Is a draft copy of this agreement available for review?

Also not sure what the purpose of s. 3.4 is and whether the Minister of Energy can agree to this process. I note that there is a note to draft there already.

Tom McKinlay of Energy Legal is also reviewing this draft and called to discuss it with me.

Thanks.

Malle

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: July 4, 2017 1:48 PM
To: Whitfield, Tobias P. (MOF)
Cc: Bruno Amara; Hanslep, Malle (MOF)
Subject: FW: OFHP - Business Issue next steps

Hi Toby,

Just wanted to get something going with an introductory email and to provide you with some

context.

Pls. take a look at the Fair Hydro Master Subscription Agreement and the way the equity injection mechanism is envisioned, the operational set up with be under some sort of a service level agreement between Energy and OFA to facilitate the proposed monthly equity injection.

I have a type of service level agreement or MOU in this instance for the Northern Industrial Electricity Rate program as attached. We are hoping something similar could be put in place between Energy and the OFA for this purpose. (The MOU had been drafted by OFA Legal a few years ago when NIER first came into place and have been revised a few times since)

Happy to discuss.

Thanks,

John

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Wednesday, June 28, 2017 9:55 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

Thanks Ken – Are you aware how the potential timing issue with appropriations is handled on the credit side? OPG seemed to think that the OFA had some process in place so that even though only 1 year of appropriations is approved at a time there is always coverage post March 31, 2017 in the event the budget is delayed but OPG needs to borrow. I was just hoping to incorporate something similar on the ENE side so that we don't run into any issues.

OPG provided a draft Master Subscription Agreement based on the term sheet. I will run this by legal as well but please feel free to provide comments/edits.

Kaitlin

From: Ken Kandeepan [mailto:Ken.Kandeepan@ofina.on.ca]
Sent: June 24, 2017 11:45 AM
To: Montgomery, Kaitlin (MOF)
Cc: Kim, John (OFA); Manning, Mike (OFA)
Subject: RE: OFHP - Business Issue next steps

Hi Kaitlin

My apologies for the delay in responding, just going through my emails from last week, I am ok with the term sheet, you had however, raised a comment re the appropriations. Note that since the OFA will simply be a service provided in this arrangement, i.e.,
We will not be able to provide cash management services including the transfer of the funds from

the Province to OPG for the equity injection until the appropriations are approved.

Thanks

Ken k

From
: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Wednesday, June 21, 2017 2:27 PM
To: John Kim <John.Kim@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

Hi all – just following up on the equity injection term sheet. I'm going to send this to ENE legal now so that they can start to digest given that the next step will be preparation of the Master Subscription Agreement. I'm assuming there aren't any major concerns but if there are items you'd like to modify if you could pass those along this week I'd appreciate it. Please note that there is a question embedded in the document regarding appropriations that I'm hoping one of you will have insight on.

At the meeting with OPG a few weeks back you had mentioned that there would likely need to be some sort of Service Level Agreement between OFA and ENE – is there a similar agreement you already have in place that we could work from?

Thanks,
Kaitlin

From: Montgomery, Kaitlin (MOF)
Sent: June 5, 2017 3:55 PM
To: Kim, John (OFA) (John.Kim@ofina.on.ca); Kandeepan, Ken (OFA) (Ken.Kandeepan@ofina.on.ca); Manning, Mike (OFA)
Subject: OFHP - Business Issue next steps

Hi everyone,

As a follow up to today's meeting there are a couple items I think can move forward at this point.

1. Equity Injection Mechanics (draft term sheet attached)
    a. If comfortable, OPG would draft Master Subscription agreement, OFA/ENE would develop service level agreement for cash management services and ENE legal would move forward with amendment to OPG articles to facilitate new class of shares
2. Performance Fee Recommendation (OPG recommended approach attached)
    a. If comfortable, OPG would assist ENE in developing regulation language

My proposed next steps, subject to your agreement, would be to share these documents with ENE legal today and then table them at a Thursday morning meeting with ENE DMO/MO (along with an updated "business issues" note, which I'll send around for everyone's input in the next day or so).

After that meeting I would send the same materials /update to MOF DMO along with any new updates received at that meeting.

Could you please confirm you have no further comments and that you agree with this approach and also that there's no other materials/terms that you think need to move up through approvals at this point in time?

Thanks in advance,
Kaitlin

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	John Kim
To:	Shajee Kathirgamanathan
Subject:	RE: OPG senior debt
Date:	Friday, June 01, 2018 1:21:19 PM

Thanks Shajee. If no other comments by when you return, pls. send to Tim.

John

From: Shajee Kathirgamanathan
Sent: Friday, June 01, 2018 12:30 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OPG senior debt

Just heading out to lunch now. I think this is almost there. Hope the caveats/sourcing are fine.

File attached and found here:
S:\Users\CEF\Hydro 2018\Fair Hydro Plan\FHT Funding

Thanks,
Shajee

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Friday, June 01, 2018 11:20 AM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: OPG senior debt

Yeah, like we just spoke, I sensed that from our interaction with Jim.

From: Shajee Kathirgamanathan
Sent: Friday, June 01, 2018 11:15 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: FW: OPG senior debt

Fyi, Carlson responded…in his assessment they are almost the same.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Carlos Yep

Sent: Friday, June 01, 2018 11:12 AM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: Re: OPG senior debt

Hi
That is almost par. So the coupon and yield are almost the same.
C

Sent from my iPhone

On Jun 1, 2018, at 10:16 AM, Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca> wrote:

> Hi Carlos,
>
> Thanks for this information below about the FHT debt.
>
> We noticed that the issue price for the Senior Debt was 100.003 and 100.002 for the Feb 6 and April 19 bonds respectively.
>
> Just want to confirm if this is relevant for our assessment; we're trying to assess the interest rates with commission.
>
> By my logic the if issue price were above 100.00, then the bonds were priced above par, sold at a premium and the actual yield would be less than the interest/coupon rate. Would this make sense?
>
> Thanks,
> Shajee
>
> **Shajee Kathirgamanathan**
> Office: 416-325-1402 | Mobile: 647-294-3359
> shajee.kathirgamanathan@ofina.on.ca
>
> > **From:** Carlos Yep <Carlos.Yep@ofina.on.ca>
> > **Date:** May 31, 2018 at 4:36:02 PM EDT
> > **To:** John Kim <John.Kim@ofina.on.ca>
> > **Subject: RE: OPG senior debt**
> >
> > John,
> > No, the commission was not included. Commission on the 2038 bonds was $0.55
> >
> > 15May2033 $500M 3.357% priced on 06Feb2018 at GoC2033 + 91.9
> > 15may2038 $400M 3.520% priced on 19Apr2018 at GoC2037 + 107.6
> >
> > Regards

Carlos

-----Original Message-----
From: John Kim
Sent: Thursday, May 31, 2018 4:24 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: OPG senior debt

Hi Carlos,

On April 24 and in February when the senior debt was issued, we got the rates at which the notes were issued. Would you know if the rate would be inclusive of commission or if not what the commission would be?

I am offsite so cannot chat.

John

Sent from my iPhone

<sg2018053159339.gif>

<sg2018053159311.gif>

From:	Shajee Kathirgamanathan
To:	John Kim
Subject:	RE: OPG senior debt
Date:	Friday, June 01, 2018 12:29:53 PM
Attachments:	Debt Funding - Tracking Sheet_v4_ForEnergy.xlsx

Just heading out to lunch now. I think this is almost there. Hope the caveats/sourcing are fine.

File attached and found here:
S:\Users\CEF\Hydro 2018\Fair Hydro Plan\FHT Funding

Thanks,
Shajee

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Friday, June 01, 2018 11:20 AM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: OPG senior debt

Yeah, like we just spoke, I sensed that from our interaction with Jim.

From: Shajee Kathirgamanathan
Sent: Friday, June 01, 2018 11:15 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: FW: OPG senior debt

Fyi, Carlson responded…in his assessment they are almost the same.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Carlos Yep
Sent: Friday, June 01, 2018 11:12 AM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: Re: OPG senior debt

Hi
That is almost par. So the coupon and yield are almost the same.
C

Sent from my iPhone

On Jun 1, 2018, at 10:16 AM, Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca> wrote:

Hi Carlos,

Thanks for this information below about the FHT debt.

We noticed that the issue price for the Senior Debt was 100.003 and 100.002 for the Feb 6 and April 19 bonds respectively.

Just want to confirm if this is relevant for our assessment; we're trying to assess the interest rates with commission.

By my logic the if issue price were above 100.00, then the bonds were priced above par, sold at a premium and the actual yield would be less than the interest/coupon rate. Would this make sense?

Thanks,
Shajee

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Carlos Yep <Carlos.Yep@ofina.on.ca>
Date: May 31, 2018 at 4:36:02 PM EDT
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OPG senior debt

John,
No, the commission was not included. Commission on the 2038 bonds was $0.55

15May2033 $500M 3.357% priced on 06Feb2018 at GoC2033 + 91.9
15may2038 $400M 3.520% priced on 19Apr2018 at GoC2037 + 107.6

Regards
Carlos

-----Original Message-----
From: John Kim
Sent: Thursday, May 31, 2018 4:24 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: OPG senior debt

Hi Carlos,

On April 24 and in February when the senior debt was issued, we got the rates at which the notes were issued. Would you know if the rate would be inclusive of commission or if not what the commission would be?

I am offsite so cannot chat.

John

Sent from my iPhone

<sg2018053159339.gif>

<sg2018053159311.gif>

Summary:

Total Funding	Term Debt Takeout
Senior debt	900,000,000.00
Subordinated	688,235,000.00
Junior subordinated	176,471,000.00
Total	**1,764,706,000.00**

Fair Hydro Trust

Date Issued*	Fair Hydro Trust Debt Type*	Principal Amount* ($)	Coupon Rate*	Maturity Date*	Series Number*	Term to Maturity [Years]	Issue Price [per $100 Principal]*	Issue Discount/(Premium) [per $100 Principal]	Commission [per $100 Principal]*	Commission and Issue Discount/(Premium) [Per $100 Principal]	Commission and Issue Premium/Discount [semi-annual rate]	Yield at Issue (w/ Commission, w/ Discount/Premium)
February 9, 2018	Senior debt	500,000,000	3.357%	May 15, 2033	2018-1	15.27	100.003	(0.003)	0.500	0.497	0.042%	3.39887%
February 9, 2018	Subordinated	382,353,000	3.637%	May 15, 2033	2018-1	15.27	100.000	-	-	-	0.000%	3.63700%
February 9, 2018	Junior subordinated	98,040,000	3.957%	May 15, 2033	2018-1	15.27	100.000	-	-	-	0.000%	3.95700%
April 24, 2018	Senior debt	400,000,000	3.520%	May 15, 2038	2018-2	20.06	100.002	(0.002)	0.550	0.548	0.038%	3.55832%
April 24, 2018	Subordinated	305,882,000	3.834%	May 15, 2038	2018-2	20.06	100.000	-	-	-	0.000%	3.83400%
April 24, 2018	Junior subordinated	78,431,000	4.214%	May 15, 2038	2018-2	20.06	100.000	-	-	-	0.000%	4.21400%

Issuing Date	Weighted Average Coupon Rate	Weighted Average Yield at Issue
February 9, 2018	3.526%	3.548%
April 24, 2018	3.712%	3.731%
Total	**3.609%**	**3.629%**

Ontario Bond Yields

30 yr yields		Yields reflective of Debt's Maturity			
30yr**	30yr w/ Commission**	Debt Issue Maturity**	Ont Rate**	Ont Rate - w/ Commission**	Notes
3.23%	3.25%	15 year	3.10%	3.14%	Feb 9 Rate, Simple average between 10 and 20 year rates.
3.23%	3.26%	20 year	3.22%	3.25%	Apr 24 Rate

**Source: Fair Hydro Plan - Deliveries under Change of Law Process Agreement, February 8, 2018 and April 23, 2018.*

***Source: Corporate Finance Branch Interest Rate Snapshot based on ScotiaBank daily reports, semi-annual rate estimates. Commissions are for dealers, based on historical one-time estimate. Subject to revision. Excludes additional costs Province may charge for on lending purposes.*

From: John Kim
To: Shajee Kathirgamanathan
Subject: RE: OPG senior debt
Date: Friday, June 01, 2018 11:20:25 AM

Yeah, like we just spoke, I sensed that from our interaction with Jim.

From: Shajee Kathirgamanathan
Sent: Friday, June 01, 2018 11:15 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: FW: OPG senior debt

Fyi, Carlson responded…in his assessment they are almost the same.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Carlos Yep
Sent: Friday, June 01, 2018 11:12 AM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: Re: OPG senior debt

Hi
That is almost par. So the coupon and yield are almost the same.
C

Sent from my iPhone

On Jun 1, 2018, at 10:16 AM, Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca> wrote:

> Hi Carlos,
>
> Thanks for this information below about the FHT debt.
>
> We noticed that the issue price for the Senior Debt was 100.003 and 100.002 for the Feb 6 and April 19 bonds respectively.
>
> Just want to confirm if this is relevant for our assessment; we're trying to assess the interest rates with commission.
>
> By my logic the if issue price were above 100.00, then the bonds were priced above par, sold at a premium and the actual yield would be less than the interest/coupon rate. Would this make sense?
>
> Thanks,

Shajee

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Carlos Yep <Carlos.Yep@ofina.on.ca>
Date: May 31, 2018 at 4:36:02 PM EDT
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OPG senior debt

John,
No, the commission was not included. Commission on the 2038 bonds was $0.55

15May2033 $500M 3.357% priced on 06Feb2018 at GoC2033 + 91.9
15may2038 $400M 3.520% priced on 19Apr2018 at GoC2037 + 107.6

Regards
Carlos

-----Original Message-----
From: John Kim
Sent: Thursday, May 31, 2018 4:24 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: OPG senior debt

Hi Carlos,

On April 24 and in February when the senior debt was issued, we got the rates at which the notes were issued. Would you know if the rate would be inclusive of commission or if not what the commission would be?

I am offsite so cannot chat.

John

Sent from my iPhone

<sg2018053159339.gif>

<sg2018053159311.gif>

From: Carlos Yep
To: John Kim
Cc: Shajee Kathirgamanathan
Subject: RE: OPG senior debt
Date: Thursday, May 31, 2018 4:46:17 PM

John
I do not have the actual commissions for the 2033 bond but would guess about 4bps on either

on the 2038 bond 55cents / 14.1y mod duration = 3.9bps

BTW - I am also assuming that the bonds were priced at PAR ($100.000) therefor the yield equals the coupon

C

-----Original Message-----
From: John Kim
Sent: Thursday, May 31, 2018 4:38 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: Re: OPG senior debt

So the 3.520% and 3.357%...what would they be with commission?

Sent from my iPhone

> On May 31, 2018, at 4:36 PM, Carlos Yep <Carlos.Yep@ofina.on.ca> wrote:
>
> John,
> No, the commission was not included. Commission on the 2038 bonds was $0.55
>
> 15May2033 $500M 3.357% priced on 06Feb2018 at GoC2033 + 91.9
> 15may2038 $400M 3.520% priced on 19Apr2018 at GoC2037 + 107.6
>
> Regards
> Carlos
>
> -----Original Message-----
> From: John Kim
> Sent: Thursday, May 31, 2018 4:24 PM
> To: Carlos Yep <Carlos.Yep@ofina.on.ca>
> Subject: OPG senior debt
>
> Hi Carlos,
>
> On April 24 and in February when the senior debt was issued, we got the rates at which the notes were issued. Would you know if the rate would be inclusive of commission or if not what the commission would be?
>
> I am offsite so cannot chat.
>
> John
>
> Sent from my iPhone
> <sg2018053159339.gif>
> <sg2018053159311.gif>

From: Carlos Yep
To: John Kim
Subject: RE: OPG senior debt
Date: Thursday, May 31, 2018 4:36:02 PM
Attachments: sg2018053159339.gif
sg2018053159311.gif

John,
No, the commission was not included. Commission on the 2038 bonds was $0.55

15May2033 $500M 3.357% priced on 06Feb2018 at GoC2033 + 91.9
15may2038 $400M 3.520% priced on 19Apr2018 at GoC2037 + 107.6

Regards
Carlos

-----Original Message-----
From: John Kim
Sent: Thursday, May 31, 2018 4:24 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: OPG senior debt

Hi Carlos,

On April 24 and in February when the senior debt was issued, we got the rates at which the notes were issued. Would you know if the rate would be inclusive of commission or if not what the commission would be?

I am offsite so cannot chat.

John

Sent from my iPhone

GRAB

FRHYDR 3.357 05/15/33 Cor | Settings | Page 1/11 | Security Description: Bond

94) Notes | 95) Buy | 96) Sell

25) Bond Description | 26) Issuer Description

Pages
- 11) Bond Info
- 12) Addtl Info
- 13) Covenants
- 14) Guarantors
- 15) Bond Ratings
- 16) Identifiers
- 17) Exchanges
- 18) Inv Parties
- 19) Fees, Restrict
- 20) Schedules
- 21) Coupons

Quick Links
- 32) ALLQ Pricing
- 33) QRD Quote Recap
- 34) TDH Trade Hist
- 35) CACS Corp Action
- 36) CF Prospectus
- 37) CN Sec News
- 38) HDS Holders
- 39) VPRD Underly Info

66) Send Bond

Issuer Information

Name	FAIR HYDRO TRUST
Industry	Financial Services

Security Information

Mkt Iss	Canadian		
Country	CA	Currency	CAD
Rank	Secured	Series	
Coupon	3.357000	Type	Fixed
Cpn Freq	S/A		
Day Cnt	ACT/ACT	Iss Price	100.00300
Maturity	05/15/2033		

MAKE WHOLE @23.000000 until 11/15/32/ CALL 1...

Iss Sprd +91.90bp vs CAN 5 3/4 06/01/33

Calc Type	(48)CANADA:COMPND METH
Pricing Date	02/06/2018
Interest Accrual Date	02/09/2018
1st Settle Date	02/09/2018
1st Coupon Date	05/15/2018

Identifiers

ID Number	AR1653682
CUSIP	30324RAA4
ISIN	CA30324RAA47

Bond Ratings

Moody's	Aa2
DBRS	AAA
Composite	AA+

Issuance & Trading

Amt Issued/Outstanding

CAD	500,000.00 (M) /
CAD	500,000.00 (M)

Min Piece/Increment

150,000.00 / 1,000.00

Par Amount	1,000.00
Book Runner	CIBC,RBCCM
Exchange	NOT LISTED

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2018 Bloomberg Finance L.P.

GRAB

FRHYDR 3.52 05/15/38 Corp | Settings | Page 1/11 | Security Description: Bond

94) Notes | 95) Buy | 96) Sell

25) Bond Description | 26) Issuer Description

Pages
- 11)Bond Info
- 12)Addtl Info
- 13)Covenants
- 14)Guarantors
- 15)Bond Ratings
- 16)Identifiers
- 17)Exchanges
- 18)Inv Parties
- 19)Fees, Restrict
- 20)Schedules
- 21)Coupons

Quick Links
- 32)ALLQ Pricing
- 33)QRD Quote Recap
- 34)TDH Trade Hist
- 35)CACS Corp Action
- 36)CF Prospectus
- 37)CN Sec News
- 38)HDS Holders
- 39)VPRD Underly Info

66) Send Bond

Issuer Information

Name	FAIR HYDRO TRUST
Industry	Financial Services

Security Information

Mkt Iss	Canadian		
Country	CA	Currency	CAD
Rank	Secured	Series	2
Coupon	3.520000	Type	Fixed
Cpn Freq	S/A		
Day Cnt	ACT/ACT	Iss Price	100.00200
Maturity	05/15/2038		

MAKE WHOLE @26.500000 until 11/15/37/ CALL 1...

Iss Sprd +107.60bp vs CAN 5 06/01/37

Calc Type (48)CANADA:COMPND METH

Pricing Date	04/19/2018
Interest Accrual Date	04/24/2018
1st Settle Date	04/24/2018
1st Coupon Date	05/15/2018

Identifiers

ID Number	AS3007752
CUSIP	30324RAB2
ISIN	CA30324RAB20

Bond Ratings

Moody's	Aa2
DBRS	AAA
Composite	AA+

Issuance & Trading

Amt Issued/Outstanding

CAD 400,000.00 (M) /
CAD 400,000.00 (M)

Min Piece/Increment

150,000.00 / 1,000.00

Par Amount	1,000.00
Book Runner	CIBCWM,RBCDS
Exchange	NOT LISTED

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2018 Bloomberg Finance L.P.
SN 745480 H365-2434-0 31-May-18 16:28:31 EDT GMT-4:00

From: Ronald Kwan
To: John Kim
Cc: Shajee Kathirgamanathan
Subject: RE: OPG senior debt
Date: Friday, June 01, 2018 2:16:32 PM
Attachments: Debt Funding - Tracking Sheet_v4_ForEnergy.xlsx

Thanks John.

Ron

From: John Kim
Sent: June-01-18 13:14
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: FW: OPG senior debt

Hi Ron,

Pls. see attached now very detailed information. We will share with Energy shortly. We have a pretty good handle on things now.

Pls. let us know if you have any comments.

Thanks,

John

From: Carlos Yep
Sent: Friday, June 01, 2018 11:12 AM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: Re: OPG senior debt

Hi
That is almost par. So the coupon and yield are almost the same.
C

Sent from my iPhone

On Jun 1, 2018, at 10:16 AM, Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca> wrote:

> Hi Carlos,
>
> Thanks for this information below about the FHT debt.

We noticed that the issue price for the Senior Debt was 100.003 and 100.002 for the Feb 6 and April 19 bonds respectively.

Just want to confirm if this is relevant for our assessment; we're trying to assess the interest rates with commission.

By my logic the if issue price were above 100.00, then the bonds were priced above par, sold at a premium and the actual yield would be less than the interest/coupon rate. Would this make sense?

Thanks,
Shajee

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: Carlos Yep <Carlos.Yep@ofina.on.ca>
Date: May 31, 2018 at 4:36:02 PM EDT
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OPG senior debt

John,
No, the commission was not included. Commission on the 2038 bonds was $0.55

15May2033 $500M 3.357% priced on 06Feb2018 at GoC2033 + 91.9
15may2038 $400M 3.520% priced on 19Apr2018 at GoC2037 + 107.6

Regards
Carlos

-----Original Message-----
From: John Kim
Sent: Thursday, May 31, 2018 4:24 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: OPG senior debt

Hi Carlos,

On April 24 and in February when the senior debt was issued, we got the rates at which the notes were issued. Would you know if the rate would be inclusive of commission or if not what the commission would be?

I am offsite so cannot chat.

John

Sent from my iPhone

Summary:

Total Funding	Term Debt Takeout
Senior debt	900,000,000.00
Subordinated	688,235,000.00
Junior subordinated	176,471,000.00
Total	**1,764,706,000.00**

Fair Hydro Trust

Date Issued*	Fair Hydro Trust Debt Type*	Principal Amount* ($)	Coupon Rate*	Maturity Date*	Series Number*	Term to Maturity [Years]	Issue Price [per $100 Principal]*	Issue Discount/(Premium) [per $100 Principal]	Commission [per $100 Principal]*	Commission and Issue Discount/(Premium) [Per $100 Principal]	Commission and Issue Premium/Discount [semi-annual rate]	Yield at Issue (w/ Commission, w/ Discount/Premium)
February 9, 2018	Senior debt	500,000,000	3.357%	May 15, 2033	2018-1	15.27	100.003	(0.003)	0.500	0.497	0.042%	3.39887%
February 9, 2018	Subordinated	382,353,000	3.637%	May 15, 2033	2018-1	15.27	100.000	-	-	-	0.000%	3.63700%
February 9, 2018	Junior subordinated	98,040,000	3.957%	May 15, 2033	2018-1	15.27	100.000	-	-	-	0.000%	3.95700%
April 24, 2018	Senior debt	400,000,000	3.520%	May 15, 2038	2018-2	20.06	100.002	(0.002)	0.550	0.548	0.038%	3.55832%
April 24, 2018	Subordinated	305,882,000	3.834%	May 15, 2038	2018-2	20.06	100.000	-	-	-	0.000%	3.83400%
April 24, 2018	Junior subordinated	78,431,000	4.214%	May 15, 2038	2018-2	20.06	100.000	-	-	-	0.000%	4.21400%

Issuing Date	Weighted Average Coupon Rate	Weighted Average Yield at Issue
February 9, 2018	3.526%	3.548%
April 24, 2018	3.712%	3.731%
Total	**3.609%**	**3.629%**

Ontario Bond Yields

30 yr yields		Yields reflective of Debt's Maturity			
30yr**	30yr w/ Commission**	Debt Issue Maturity**	Ont Rate**	Ont Rate - w/ Commission**	Notes
3.23%	3.25%	15 year	3.10%	3.14%	Feb 9 Rate, Simple average between 10 and 20 year rates.
3.23%	3.26%	20 year	3.22%	3.25%	Apr 24 Rate

**Source: Fair Hydro Plan - Deliveries under Change of Law Process Agreement, February 8, 2018 and April 23, 2018.*

***Source: Corporate Finance Branch Interest Rate Snapshot based on ScotiaBank daily reports, semi-annual rate estimates. Commissions are for dealers, based on historical one-time estimate. Subject to revision. Excludes additional costs Province may charge for on lending purposes.*

From:	John Kim
To:	Salman Qadir; Adam Prokop
Cc:	Bruno Amara; Shajee Kathirgamanathan
Subject:	RE: Preferred equity treatment
Date:	Tuesday, May 02, 2017 1:11:33 PM

Thanks, I did let them know of the possible angle.

From: Salman Qadir
Sent: Tuesday, May 02, 2017 12:48 PM
To: Adam Prokop <Adam.Prokop@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Preferred equity treatment

Here is S&P's handbook – although there have been various amendments issued since 2008 that would need to be checked. It states the following but need to review in more detail:

Pg 33.
We include any hybrid capital issuance in excess of 15% in the numerator of our leverage calculations. We do not generally recognize hybrid issuance of operating companies (reflected also as hybrid capital in the relevant parent's consolidated financial statements) as such in our consolidated capital adequacy analysis (see table 4)

Salman

From: Adam Prokop
Sent: Tuesday, May 02, 2017 12:25 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Preferred equity treatment

Would we want to send to Ken, Carlos and the others, to ask TD for comments.

AP

From: Adam Prokop
Sent: Tuesday, May 02, 2017 12:23 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: Preferred equity treatment

There is an exception to preferred share 20% rule:

“There are cases where a parent may invest in a subsidiary through deeply subordinated debt for tax or other reasons with the intention that the security mirrors the attributes of equity. DBRS would typically assess a range of factors to establish if the latter has been achieved, such as cross-default trigger covenants, term and ability to defer interest. Regardless of these factors, the parent-subsidiary relationship is key and represents the only reason that DBRS would consider these debt instruments for high equity treatment. In these cases, the 20% cap rule does not apply.”

See attached file.

Kind regards,

Adam Prokop
Economic Specialist
Office: 416-315-6462
adam.prokop@ofina.on.ca

From:	John Kim
To:	Ronald Kwan; Gadi Mayman
Cc:	Usman Zahid; Anna Strathy; Mike Manning; Ken Kandeepan
Subject:	RE: Rating Agencies views on Fair Hydro
Date:	Thursday, April 19, 2018 1:37:15 PM

For sure. Do we have a sense of the remainder of the debt?

From: Ronald Kwan
Sent: Thursday, April 19, 2018 1:06 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: Re: Rating Agencies views on Fair Hydro

Hi Gadi,

John was prepped to anticipate such a request!

Ron

From: Gadi Mayman
Sent: April 19, 2018 12:31 PM
To: Ronald Kwan
Cc: Usman Zahid; Anna Strathy; Mike Manning; Ken Kandeepan
Subject: FW: Rating Agencies views on Fair Hydro

Hi Ron. The deal ended up coming at 107, which is 32 back of us. We should update our interest calculation based on this.

Thanks,
Gadi

From: Caridia, Alex [mailto:alex.caridia@rbccm.com]
Sent: Thursday, April 19, 2018 9:35 AM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: Rating Agencies views on Fair Hydro

Hi Gadi – jus called you for an update on this. As you will have seen books are open at 110 +/-3bps

See that as Ont +35 and Toronto +13bps

Happy to chat more at your convenience

Alex

From: Caridia, Alex
Sent: April 19, 18 7:59 AM
To: Gadi Mayman
Subject: Re: Rating Agencies views on Fair Hydro

Hi Gadi

In short, that's true. Moody's action on Ontario will have no immediate effect on the ratings of FHT. Moody's rates FHT in line with the Province's rating, and has stated that any move on Ontario will also move their ratings on the FH program. However, under securitization methodology, rating directions are not used, so there is no current change on FHT, but if the Province is downgraded, FHT will also be downgraded.

On: 18 April 2018 21:59,
"Gadi Mayman" <Gadi.Mayman@ofina.on.ca> wrote:
Thanks, Alex. I was told that structured finance ratings don't have negative outlooks; the rating is simply the rating, so Moody's putting us on negative outlook doesn't immediately affect their rating of the FHT. It's only if we were to get downgraded that they would also downgrade FHT. Seems weird to me, but that's what I was told, and given that you've proceeded with the FHT transaction, I assume it's true?

From: Caridia, Alex <alex.caridia@rbccm.com>
Sent: Wednesday, April 18, 2018 5:30:32 PM
To: Gadi Mayman
Subject: Fwd: Rating Agencies views on Fair Hydro

Hi Gadi - FYI

Begin Forwarded Message:
From: "Laham, Chris" <chris.laham@rbccm.com<mailto:chris.laham@rbccm.com>>
Subject: Rating Agencies views on Fair Hydro
Date: 18 April 2018 15:51
To: "+DS-GM-Bond Sales Desk" <DS-GM-BondSalesDesk@rbc.com<mailto:DS-GM-BondSalesDesk@rbc.com>>

Here are some bullet points outlining how each agency views Fair Hydro Trust in the context of the ratings of the Province.
The key point being, Moody's assumes at some point over the horizon of the program the Province will step in, thus linking the ratings. As a reminder, if this were to happen, the Province will assume the debt.

Here is Ian's outline for those that want a deeper dive:

DBRS

* Look at the transaction through a structured finance lens
* Change of law that could invoke a Protection Event is mitigated by the risk the FHT platform would become a liability of the Province, legislation took a long time to draft and pass, adverse change of law could bring into question other Provincial guarantee arrangements
* Significant enhancement (almost 100%) supports the senior notes, as does true-up mechanism, non-bypassability of recovery charge
* Amount of recovery charge is small as a percentage of the overall electricity user bill

Moody’s

* The program as structured and under current law and regulations is considered to be of similar credit quality to US utility cost recovery programs rated by Moody's
* However, the FHT program's 30-year term, combined with the pervasive role of the Province and its related entities in many aspects of this transaction, increase the risk that the Province could make future changes to the law or related regulations that could adversely affect the outstanding obligations under the FHT program
* The Provincial guarantee is a mitigant to this risk, but it is not as robust as the constitutional protection found in similar US programs. Accordingly, Moody’s has linked the provisional ratings of the notes to the Aa2 rating of the Province
* Future changes to the Province's rating will result in similar changes to the ratings of the notes.

Ian Benaiah | Director, Securitization Finance | RBC Capital Markets | TEL: 416.842.3820 | FAX: 416.842.3888 | ian.benaiah@rbccm.com<mailto:ian.benaiah@rbccm.com>

This email is intended only for the use of the individual(s) to whom it is addressed and may be privileged and confidential.
Unauthorised use or disclosure is prohibited. If you receive this e-mail in error, please advise immediately and delete the original message.
This message may have been altered without your or our knowledge and the sender does not accept any liability for any errors or omissions in the message.

Ce courriel est confidentiel et protégé. L'expéditeur ne renonce pas aux droits et obligations qui s'y rapportent.
Toute diffusion, utilisation ou copie de ce message ou des renseignements qu'il contient par une personne autre que le (les) destinataire(s) désigné(s) est interdite.
Si vous recevez ce courriel par erreur, veuillez m'en aviser immédiatement, par retour de courriel ou par un autre moyen.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	John Kim
To:	Shajee Kathirgamanathan
Cc:	Bruno Amara
Subject:	RE: Revised Interest Costs for FHP
Date:	Thursday, February 08, 2018 2:52:50 PM

Tim Christie called me….we can chat next week.

John

From: Shajee Kathirgamanathan
Sent: Wednesday, February 07, 2018 3:24 PM
To: Daniel Cayley (ENERGY) <Daniel.Cayley@ontario.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: Revised Interest Costs for FHP

Hi Daniel,

Hope you're well.

We've been asked to recalculate the difference in interest costs to ratepayers for the FHP at the province's borrowing rate vs the FHT.

You might remember from the May FAO report on the FHP, a $4 billion number was mentioned as the savings to ratepayers if the Province borrowed (at its lower borrowing rate) compared to the Fair Hydro Trust (See the paragraph below Figure 6-3 on the FAO report).

The FAO assumed the FHT would borrow at 5.4% and the province at 4.5% with a weighted average borrowing of about 5%. The difference in interest costs of all the borrowing at 5% vs the Province's borrowing at 4.5% is the $4 billion.

With the recent issuance of the FHP debt at 3.357%, we are asked to re-evaluate this amount with the 23 basis point spread and revised borrowing amounts. Would your team already have worked on this analysis or have a revised borrowing profile? My initial assessment would be to assume the borrowing profile of the Fair Allocation Amount and Readjustment Amount from the attached. Would there be anything we should use that's more revised?

Thanks,
Shajee

PS. I'm away from the office today, happy to chat on my mobile.

Shajee Kathirgamanathan
Senior Advisor
Electricity Finance Branch, Corporate and Electricity Finance Division
Ontario Financing Authority
Office: 416-325-1402 | Mobile: 647-294-3359

shajee.kathirgamanathan@ofina.on.ca

From:	John Kim
To:	Shajee Kathirgamanathan
Cc:	Gavin He; Bruno Amara
Subject:	RE: Total Interest costs (SOC)
Date:	Wednesday, February 07, 2018 2:16:15 PM

Thanks, could we set up the FAA-based analysis? Ron and I are tied up till 4:30 or so. We still have a bit of time.

The concern, unless you convince otherwise, is that the Excel file we used might be dated.

So the FAO analysis was the delta of 50bps? Is that reasonably certain?

From: Shajee Kathirgamanathan
Sent: Wednesday, February 07, 2018 1:37 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Total Interest costs (SOC)

Hi John,

This analysis from Bruno might be what we need for now, particularly since it's an apples to apples comparison of the previous $4B number.

However the borrowing profile with the revised FAA amounts could change this assessment. We had looked into recreating Energy's FAA amounts [in order to recreate this interest calculation] with partial success.

We can use this analysis for now, if that can satisfy the request.

However to use the revised FAA amounts, we can also reach out to Energy. However it may no longer be the apples to apples comparison of a simple reduction in borrowing spreads.

Thanks,
Shajee

From: Bruno Amara
Sent: Wednesday, February 07, 2018 1:11 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Total Interest costs (SOC)

Correction Summary table should show FAO 4.5% assumption for Province. Just labelling, calculation was correct.

Total Interest Costs $ Millions

FAO	rate	Revised	rate
20,924	5.0%	10,229	3.35%
16,863	4.5%	9,194	3.12%
4061	difference	1,035	difference

From: Bruno Amara
Sent: Wednesday, February 07, 2018 1:09 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Total Interest costs (SOC)

I think I found the most recent file. I replicated the FAO assumptions of 5% for FHT borrowing vs 4.5% for Province. In attached model that also yields a $4b difference. Redoing this with the 3.12% and 3.35% reduces this difference to about $1B. See summary table below.

Total Interest Costs $ Millions

FAO	rate	Revised	rate
20,924	5%	10,229	3.35%
16,863	4%	9,194	3.12%
4061	difference	1,035	difference

S:\Users\CEF\Hydro 2017\Fair Hydro Plan (Post Announcement)\Funding the FHP - GA Financing Analysis\FAO - Analysis

Bruno Amara
Sr. Manager, Financial and Regulatory Analysis
Electricity Finance Branch
Corporate and Electricity Finance Division
Ontario Financing Authority

Tel: 416-325-1489
Email: bruno.amara@ofina.on.ca

From:	John Kim
To:	Shajee Kathirgamanathan; Bruno Amara; Gavin He
Subject:	RE: Total Interest costs (SOC)
Date:	Friday, February 09, 2018 2:39:26 PM

Thanks guys.

Let's chat on Monday on your question at the bottom. I sensed Energy's sentiment that came over the phone.

John

From: Shajee Kathirgamanathan
Sent: Friday, February 09, 2018 2:09 PM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Total Interest costs (SOC)

Hi John,

There's one tweak required in the interest charge calculation for this, please see attached.

Since our numbers use the FAA from Energy at 4.5% interest rate, changes to interest rates don't adjust the payoff date. (eg. It's not robust enough to adjust for interest rate sensitivities). In calculating total interest paid we were also adding in the negative numbers post-payoff.

Fortunately the numbers aren't too wildly off, and hopefully if we have additional info from Energy we can figure this out. Perhaps we can chat next week about your discussion with Tim Christie.

On a related note, would we have any indication of the interest rate of the sub and jr. sub debt? Serge mentioned in his email to SOC that they would find out in 48hrs…

Revised model attached.

Thanks to Gavin for catching that issue.

Cheers,
Shajee

From: John Kim
Sent: Wednesday, February 07, 2018 5:32 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>

Subject: RE: Total Interest costs (SOC)

Thanks for both sets of analysis today….I felt it was outstanding work.

From: Shajee Kathirgamanathan
Sent: Wednesday, February 07, 2018 4:36 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Total Interest costs (SOC)

Hi John, Bruno,

Attached is a refined analysis trying to mimic Energy's FAA projection. As mentioned we weren't able to recreate their numbers exactly so that's one source of error.

Furthermore, if you recall, the 3.357% Debt from the FHT should be the Senior most debt and therefore lowest cost debt incurred by the trust. The Sub and Jr. Sub debt from the provincial equity injection and OPG borrowing should have a higher borrowing rate. If we take a weighted average borrowing, this would be noticeably higher than 3.357%.

Please see calculations attached and in the table below. (File found here: S:\Users\CEF\Hydro 2018\FAO\FHP\Revised Calculations)

Difference In Interest Charges	
Provincial (3.12%) vs Weighted Avg Borrowing (4.017%):	**5,121**
Provincial (3.12%) vs FHT Borrowing (3.357%):	**1,182**

Happy to chat if you have a few mins.

Thanks,
Shajee

From: John Kim
Sent: Wednesday, February 07, 2018 2:16 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Total Interest costs (SOC)

Thanks, could we set up the FAA-based analysis? Ron and I are tied up till 4:30 or so. We still have a bit of time.

The concern, unless you convince otherwise, is that the Excel file we used might be dated.

So the FAO analysis was the delta of 50bps? Is that reasonably certain?

From: Shajee Kathirgamanathan
Sent: Wednesday, February 07, 2018 1:37 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Total Interest costs (SOC)

Hi John,

This analysis from Bruno might be what we need for now, particularly since it's an apples to apples comparison of the previous $4B number.

However the borrowing profile with the revised FAA amounts could change this assessment. We had looked into recreating Energy's FAA amounts [in order to recreate this interest calculation] with partial success.

We can use this analysis for now, if that can satisfy the request.

However to use the revised FAA amounts, we can also reach out to Energy. However it may no longer be the apples to apples comparison of a simple reduction in borrowing spreads.

Thanks,
Shajee

From: Bruno Amara
Sent: Wednesday, February 07, 2018 1:11 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Total Interest costs (SOC)

Correction Summary table should show FAO 4.5% assumption for Province. Just labelling, calculation was correct.

Total Interest Costs $ Millions

FAO	rate	Revised	rate
20,924	5.0%	10,229	3.35%
16,863	4.5%	9,194	3.12%
4061	difference	1,035	difference

From: Bruno Amara
Sent: Wednesday, February 07, 2018 1:09 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Total Interest costs (SOC)

I think I found the most recent file. I replicated the FAO assumptions of 5% for FHT borrowing vs 4.5% for Province. In attached model that also yields a $4b difference. Redoing this with the 3.12% and 3.35% reduces this difference to about $1B. See summary table below.

Total Interest Costs $ Millions

FAO	rate	Revised	rate
20,924	5%	10,229	3.35%
16,863	4%	9,194	3.12%
4061	difference	1,035	difference

S:\Users\CEF\Hydro 2017\Fair Hydro Plan (Post Announcement)\Funding the FHP - GA Financing Analysis\FAO - Analysis

Bruno Amara
Sr. Manager, Financial and Regulatory Analysis
Electricity Finance Branch
Corporate and Electricity Finance Division
Ontario Financing Authority

Tel: 416-325-1489
Email: bruno.amara@ofina.on.ca

From: John Kim
To: Carlos Yep
Cc: Shajee Kathirgamanathan; Gavin He
Subject: RE: **NEW ISSUE** FAIR HYDRO TRUST
Date: Thursday, April 19, 2018 2:00:45 PM

So versus the first one which was at 3.357%, if I recall, a bit higher?

Do you have OPG's pricing on sub debts?

From: Carlos Yep
Sent: Thursday, April 19, 2018 12:01 PM
To: John Kim <John.Kim@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>
Subject: FW: **NEW ISSUE** FAIR HYDRO TRUST

FYI

From: Donnelly, Ryan [mailto:Ryan.Donnelly@cibc.com]
Sent: Thursday, April 19, 2018 11:58 AM
To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Elizabeth Wallace <Elizabeth.Wallace@ofina.on.ca>
Cc: Bartlett, Doug - Debt Capital Markets <Doug.Bartlett@cibc.com>; Janetos, Ben - Debt Capital Markets <Ben.Janetos@cibc.com>
Subject: FW: **NEW ISSUE** FAIR HYDRO TRUST

FYI… The second offering by Fair Hydro Trust has now priced. As the summary below indicates, the offering saw interest from 36 investors which is consistent with the prior offering. This included interest from a few new investors to the program. The total book size was in excess of $1bln.

Ryan

The **Fair Hydro Trust** offering has now priced. The deal was met with strong demand and was upsized to $400 million. The $400 million of senior notes priced at +107 bps vs. the GoC curve, the tight end of spread guidance, for a coupon of 3.52%. The offering was distributed to 36 buyers with average fills in the 5-10% range.

****NEW ISSUE** FAIR HYDRO TRUST**

Issuer:	Fair Hydro Trust, a special purpose trust established under the laws of the Province of Ontario.
Issue:	3.52% Senior Notes due May 15, 2038, Series 2018-2 (the "Series 2018-2 Senior Notes").
Expected Credit Ratings:	DBRS: AAA(sf) Moody's: Aa2(sf)
Principal Amount:	$400,000,000
Initial % of Aggregate Notes:	51%
Launch Date:	April 19, 2018
Pricing Date:	April 19, 2018
Settlement Date:	April 24, 2018 (T+3)
Term:	20 years
Expected Maturity Date:	May 15, 2038
Principal Payment Default Date:	May 15, 2040
Par Call Date:	November 15, 2037

Interest Rate:	3.52% per annum
Issue Spread:	**+**107 bps versus Government of Canada curve interpolated between CAN 5% due June 1, 2037 and CAN 4% due June 1, 2041 +107.6 bps (including a 0.6 bps curve adjustment and +0.0 bps delay adjustment), versus the CAN 5% due June 1, 2037 (priced at $138.83 to yield 2.444%)
Issue Yield:	3.52%
Issue Price:	$100.002
Interest Payment Dates:	May 15 and November 15 or next business day
Use of Proceeds:	The proceeds from the Series 2018-2 Senior Notes Offering will be used to refinance $400,000,000 of indebtedness of the Issuer previously incurred to purchase an Investment Interest from the IESO pursuant to the Master Transfer and Servicing Agreement.
Ranking:	Subject to the applicable payment waterfalls in the Master Trust Indenture, the Series 2018-2 Senior Notes will be direct, secured and unsubordinated obligations of the Issuer, and will at all times rank equally and proportionately with each other and all other Senior Funding Obligations issued by the Issuer from time to time pursuant to the Indenture, without discrimination or preference.

This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and may contain information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply email and permanently delete this message including any attachments, without reading it or making a copy.

You are receiving this email because our records show that you have a relationship with one or more of the CIBC Capital Markets lines of business of Canadian Imperial Bank of Commerce (CIBC) or CIBC World Markets Inc., which includes Investment and Corporate Banking and Global Markets. If you believe you are receiving this message in error or you no longer wish to receive electronic messages from us, you may unsubscribe[cibc.com] at any time. If you experience challenges with the unsubscribe link, reply to this email with the Subject Line "Unsubscribe" and Cc: Mailbox.CASLUnsubscribe@cibc.com. Please note that by selecting unsubscribe, we will only be able to send you emails that are required or permitted by law. Our mailing address is : CIBC CASL Unsubscribe, 161 Bay St, 9th Floor, Toronto, Ontario, M5J 2W5

From: Ronald Kwan
To: John Kim
Subject: RE: provincial borrowing rate
Date: Thursday, May 31, 2018 4:20:02 PM

Hi,

Would you check with CMD if OPG shared that information.'

Thanks,
Ron

-----Original Message-----
From: John Kim
Sent: May-31-18 16:19
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: Re: provincial borrowing rate

I am not sure if we have that data. Wouldn't the senior debt rate inclusive of the commission? Or it'd be information energy can provide us with

Sent from my iPhone

> On May 31, 2018, at 2:16 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:
>
> Hi John,
>
> What do you think? Can we add that in?
>
> Ron
>
> -----Original Message-----
> From: Gadi Mayman
> Sent: May-31-18 14:10
> To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
> Subject: RE: provincial borrowing rate
>
> Thanks, Ron. I notice that the Ontario rates have a column that include commissions. Should we have a similar one for the FHP rates (at least the senior debt; I'm assuming that they don't pay commission on the sub)?
>
> -----Original Message-----
> From: Ronald Kwan
> Sent: Thursday, May 31, 2018 1:56 PM
> To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
> Subject: FW: provincial borrowing rate
>
> Hi Gadi,
>
> FYI. Energy has asked for some Provincial borrowing rate data as context for planned periodic reports on FHP borrowing. Staff put together the attached.
>
> Ron
>

> -----Original Message-----
> From: Ronald Kwan
> Sent: May-31-18 13:34
> To: John Kim <John.Kim@ofina.on.ca>
> Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Shajee Kathirgamanathan
<Shajee.Kathirgamanathan@ofina.on.ca>
> Subject: RE: provincial borrowing rate
>
> Thanks John. Looks fine, but would a little reformatting help?
>
> Ron
>
> -----Original Message-----
> From: John Kim
> Sent: May-31-18 12:16
> To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Shajee Kathirgamanathan
<Shajee.Kathirgamanathan@ofina.on.ca>
> Subject: FW: provincial borrowing rate
>
> Hi Ron,
>
> Pls. see attached proposed file to be sent over and the original communication below.
>
> We base our numbers off of CFB's daily update files and have full backup saved with links within the file.
>
> Thanks,
>
> John
>
> -----Original Message-----
> From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
> Sent: Wednesday, May 30, 2018 1:16 PM
> To: John Kim <John.Kim@ofina.on.ca>
> Subject: Re: provincial borrowing rate
>
> ADM/DM here at the ministry. We want to use provincial borrowing information to provide context for the OFHP
issuances.
>
>
>
>
> On Wed, May 30, 2018 at 1:13 PM -0400, "Kim, John (OFA)"
<John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:
>
>
> Just a quick question....who would be the intended audience?
>
> -----Original Message-----
> From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
> Sent: Tuesday, May 29, 2018 4:39 PM
> To: John Kim
> Subject: RE: provincial borrowing rate
>
> No rush on this. Thanks for the help John.
>
> -----Original Message-----

> From: Kim, John (OFA) [mailto:John.Kim@ofina.on.ca]
> Sent: May-29-18 4:37 PM
> To: Christie, Tim (ENERGY)
> Subject: RE: provincial borrowing rate
>
> When do you need it by? Will aim for tomorrow or Thursday. I have it ready except the analyst in charge is away so will need some digging.
>
> -----Original Message-----
> From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
> Sent: Tuesday, May 29, 2018 4:22 PM
> To: John Kim
> Subject: Re: provincial borrowing rate
>
> I'd like issues for 2018 to date, as well as anything going forward (we're planning to make it a monthly report).
>
>
>
>
> On Tue, May 29, 2018 at 4:17 PM -0400, "Kim, John (OFA)" > wrote:
>
> I think the OFA would be a pretty reliable source....but what do you need exactly? Just a point in time, as in - now or when the issues were done recently? Let me know and I should be able to help.
>
>
> From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
> Sent: Tuesday, May 29, 2018 4:11 PM
> To: John Kim
> Subject: provincial borrowing rate
>
> Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?
>
> Tim
>
> _____
>
> This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.
>

From: John Kim
To: Ronald Kwan
Subject: RE: provincial borrowing rate
Date: Tuesday, May 29, 2018 5:25:28 PM

I believe we go with the 30 yr rates. I would recommend we do it and provide the data so we are on the same page (and not have different areas having different numbers). Also, relationship managing being my focus.

I will talk to Tim on the intended use.

John

-----Original Message-----
From: Ronald Kwan
Sent: Tuesday, May 29, 2018 5:20 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: provincial borrowing rate

Hi John,

Assuming Energy is looking for indicative provincial borrowing rates, not actual issuance amounts and rates each month, as the actual terms likely do not match FHP issuance terms? And some interpolation estimation would be required? Would we want to do that, or let it be Energy making such estimations?

And, as discussed, what would be the intended use of the report be, and audience?

Thanks,
Ron

-----Original Message-----
From: John Kim
Sent: May-29-18 16:41
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: provincial borrowing rate

Fyi

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:22 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: provincial borrowing rate

I'd like issues for 2018 to date, as well as anything going forward (we're planning to make it a monthly report).

On Tue, May 29, 2018 at 4:17 PM -0400, "Kim, John (OFA)"
<John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:

I think the OFA would be a pretty reliable source….but what do you need exactly? Just a point in time, as in – now or when the issues were done recently? Let me know and I should be able to help.

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:11 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: provincial borrowing rate

Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?

Tim

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Ronald Kwan
To: John Kim
Subject: RE: provincial borrowing rate
Date: Tuesday, May 29, 2018 5:19:57 PM

Hi John,

Assuming Energy is looking for indicative provincial borrowing rates, not actual issuance amounts and rates each month, as the actual terms likely do not match FHP issuance terms? And some interpolation estimation would be required? Would we want to do that, or let it be Energy making such estimations?

And, as discussed, what would be the intended use of the report be, and audience?

Thanks,
Ron

-----Original Message-----
From: John Kim
Sent: May-29-18 16:41
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: provincial borrowing rate

Fyi

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:22 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: provincial borrowing rate

I'd like issues for 2018 to date, as well as anything going forward (we're planning to make it a monthly report).

On Tue, May 29, 2018 at 4:17 PM -0400, "Kim, John (OFA)" <John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:

I think the OFA would be a pretty reliable source….but what do you need exactly? Just a point in time, as in – now or when the issues were done recently? Let me know and I should be able to help.

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:11 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: provincial borrowing rate

Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?

Tim

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Christie, Tim (ENERGY)
To: John Kim
Subject: RE: provincial borrowing rate
Date: Tuesday, May 29, 2018 4:38:55 PM

No rush on this. Thanks for the help John.

-----Original Message-----
From: Kim, John (OFA) [mailto:John.Kim@ofina.on.ca]
Sent: May-29-18 4:37 PM
To: Christie, Tim (ENERGY) <Tim.Christie@ontario.ca>
Subject: RE: provincial borrowing rate

When do you need it by? Will aim for tomorrow or Thursday. I have it ready except the analyst in charge is away so will need some digging.

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:22 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: provincial borrowing rate

I'd like issues for 2018 to date, as well as anything going forward (we're planning to make it a monthly report).

On Tue, May 29, 2018 at 4:17 PM -0400, "Kim, John (OFA)"
<John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:

I think the OFA would be a pretty reliable source....but what do you need exactly? Just a point in time, as in - now or when the issues were done recently? Let me know and I should be able to help.

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:11 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: provincial borrowing rate

Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?

Tim

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: John Kim
To: Tim Christie (ENERGY)
Subject: RE: provincial borrowing rate
Date: Tuesday, May 29, 2018 4:37:02 PM

When do you need it by? Will aim for tomorrow or Thursday. I have it ready except the analyst in charge is away so will need some digging.

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:22 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: provincial borrowing rate

I'd like issues for 2018 to date, as well as anything going forward (we're planning to make it a monthly report).

On Tue, May 29, 2018 at 4:17 PM -0400, "Kim, John (OFA)" <John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:

I think the OFA would be a pretty reliable source….but what do you need exactly? Just a point in time, as in – now or when the issues were done recently? Let me know and I should be able to help.

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:11 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: provincial borrowing rate

Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?

Tim

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: John Kim
To: Tim Christie (ENERGY)
Subject: RE: provincial borrowing rate
Date: Tuesday, May 29, 2018 4:17:46 PM

I think the OFA would be a pretty reliable source….but what do you need exactly? Just a point in time, as in – now or when the issues were done recently? Let me know and I should be able to help.

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:11 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: provincial borrowing rate

Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?

Tim

From: John Kim
To: Shajee Kathirgamanathan
Subject: RE: provincial borrowing rate
Date: Thursday, May 31, 2018 1:44:03 PM

Ok, thanks.

-----Original Message-----
From: Shajee Kathirgamanathan
Sent: Thursday, May 31, 2018 1:41 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: provincial borrowing rate

Will do.

Since they won't be able to access external links/references, I'll remove the links so that they are hardcoded.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359 shajee.kathirgamanathan@ofina.on.ca

-----Original Message-----
From: John Kim
Sent: Thursday, May 31, 2018 1:39 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: FW: provincial borrowing rate

Wait towards the end of the day and if no additional comment, pls. send to Tim Christie.

-----Original Message-----
From: John Kim
Sent: Thursday, May 31, 2018 1:38 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: provincial borrowing rate

Thanks Ron. Sure, works for me.

John

-----Original Message-----
From: Ronald Kwan
Sent: Thursday, May 31, 2018 1:34 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: provincial borrowing rate

Thanks John. Looks fine, but would a little reformatting help?

Ron

-----Original Message-----
From: John Kim
Sent: May-31-18 12:16

To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: FW: provincial borrowing rate

Hi Ron,

Pls. see attached proposed file to be sent over and the original communication below.

We base our numbers off of CFB's daily update files and have full backup saved with links within the file.

Thanks,

John

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Wednesday, May 30, 2018 1:16 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: provincial borrowing rate

ADM/DM here at the ministry. We want to use provincial borrowing information to provide context for the OFHP issuances.

On Wed, May 30, 2018 at 1:13 PM -0400, "Kim, John (OFA)" <John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:

Just a quick question....who would be the intended audience?

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:39 PM
To: John Kim
Subject: RE: provincial borrowing rate

No rush on this. Thanks for the help John.

-----Original Message-----
From: Kim, John (OFA) [mailto:John.Kim@ofina.on.ca]
Sent: May-29-18 4:37 PM
To: Christie, Tim (ENERGY)
Subject: RE: provincial borrowing rate

When do you need it by? Will aim for tomorrow or Thursday. I have it ready except the analyst in charge is away so will need some digging.

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:22 PM
To: John Kim
Subject: Re: provincial borrowing rate

I'd like issues for 2018 to date, as well as anything going forward (we're planning to make it a monthly report).

On Tue, May 29, 2018 at 4:17 PM -0400, "Kim, John (OFA)" > wrote:

I think the OFA would be a pretty reliable source....but what do you need exactly? Just a point in time, as in - now or when the issues were done recently? Let me know and I should be able to help.

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:11 PM
To: John Kim
Subject: provincial borrowing rate

Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?

Tim

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Shajee Kathirgamanathan
To: John Kim
Subject: RE: provincial borrowing rate
Date: Thursday, May 31, 2018 1:41:07 PM

Will do.

Since they won't be able to access external links/references, I'll remove the links so that they are hardcoded.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

-----Original Message-----
From: John Kim
Sent: Thursday, May 31, 2018 1:39 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: FW: provincial borrowing rate

Wait towards the end of the day and if no additional comment, pls. send to Tim Christie.

-----Original Message-----
From: John Kim
Sent: Thursday, May 31, 2018 1:38 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: provincial borrowing rate

Thanks Ron. Sure, works for me.

John

-----Original Message-----
From: Ronald Kwan
Sent: Thursday, May 31, 2018 1:34 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: provincial borrowing rate

Thanks John. Looks fine, but would a little reformatting help?

Ron

-----Original Message-----
From: John Kim
Sent: May-31-18 12:16
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: FW: provincial borrowing rate

Hi Ron,

Pls. see attached proposed file to be sent over and the original communication below.

We base our numbers off of CFB's daily update files and have full backup saved with links within the file.

Thanks,

John

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Wednesday, May 30, 2018 1:16 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: provincial borrowing rate

ADM/DM here at the ministry. We want to use provincial borrowing information to provide context for the OFHP issuances.

On Wed, May 30, 2018 at 1:13 PM -0400, "Kim, John (OFA)"
<John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:

Just a quick question....who would be the intended audience?

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:39 PM
To: John Kim
Subject: RE: provincial borrowing rate

No rush on this. Thanks for the help John.

-----Original Message-----
From: Kim, John (OFA) [mailto:John.Kim@ofina.on.ca]
Sent: May-29-18 4:37 PM
To: Christie, Tim (ENERGY)
Subject: RE: provincial borrowing rate

When do you need it by? Will aim for tomorrow or Thursday. I have it ready except the analyst in charge is away so will need some digging.

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:22 PM
To: John Kim
Subject: Re: provincial borrowing rate

I'd like issues for 2018 to date, as well as anything going forward (we're planning to make it a monthly report).

On Tue, May 29, 2018 at 4:17 PM -0400, "Kim, John (OFA)" > wrote:

I think the OFA would be a pretty reliable source....but what do you need exactly? Just a point in time, as in - now

or when the issues were done recently? Let me know and I should be able to help.

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:11 PM
To: John Kim
Subject: provincial borrowing rate

Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?

Tim

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	John Kim
To:	Ronald Kwan
Cc:	Usman Zahid; Shajee Kathirgamanathan
Subject:	RE: provincial borrowing rate
Date:	Thursday, May 31, 2018 1:38:00 PM

Thanks Ron. Sure, works for me.

John

-----Original Message-----
From: Ronald Kwan
Sent: Thursday, May 31, 2018 1:34 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Shajee Kathirgamanathan
<Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: provincial borrowing rate

Thanks John. Looks fine, but would a little reformatting help?

Ron

-----Original Message-----
From: John Kim
Sent: May-31-18 12:16
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Shajee Kathirgamanathan
<Shajee.Kathirgamanathan@ofina.on.ca>
Subject: FW: provincial borrowing rate

Hi Ron,

Pls. see attached proposed file to be sent over and the original communication below.

We base our numbers off of CFB's daily update files and have full backup saved with links within the file.

Thanks,

John

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Wednesday, May 30, 2018 1:16 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: provincial borrowing rate

ADM/DM here at the ministry. We want to use provincial borrowing information to provide context for the OFHP issuances.

On Wed, May 30, 2018 at 1:13 PM -0400, "Kim, John (OFA)"
<John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:

Just a quick question....who would be the intended audience?

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:39 PM
To: John Kim
Subject: RE: provincial borrowing rate

No rush on this. Thanks for the help John.

-----Original Message-----
From: Kim, John (OFA) [mailto:John.Kim@ofina.on.ca]
Sent: May-29-18 4:37 PM
To: Christie, Tim (ENERGY)
Subject: RE: provincial borrowing rate

When do you need it by? Will aim for tomorrow or Thursday. I have it ready except the analyst in charge is away so will need some digging.

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:22 PM
To: John Kim
Subject: Re: provincial borrowing rate

I'd like issues for 2018 to date, as well as anything going forward (we're planning to make it a monthly report).

On Tue, May 29, 2018 at 4:17 PM -0400, "Kim, John (OFA)" > wrote:

I think the OFA would be a pretty reliable source....but what do you need exactly? Just a point in time, as in - now or when the issues were done recently? Let me know and I should be able to help.

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:11 PM
To: John Kim
Subject: provincial borrowing rate

Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?

Tim

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Ronald Kwan
To:	John Kim
Cc:	Usman Zahid; Shajee Kathirgamanathan
Subject:	RE: provincial borrowing rate
Date:	Thursday, May 31, 2018 1:34:00 PM
Attachments:	Copy of Debt Funding - Tracking Sheet_v3 (Propose to Share with Energy)_Markup.xlsx

---

Thanks John. Looks fine, but would a little reformatting help?

Ron

-----Original Message-----
From: John Kim
Sent: May-31-18 12:16
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Shajee Kathirgamanathan
<Shajee.Kathirgamanathan@ofina.on.ca>
Subject: FW: provincial borrowing rate

Hi Ron,

Pls. see attached proposed file to be sent over and the original communication below.

We base our numbers off of CFB's daily update files and have full backup saved with links within the file.

Thanks,

John

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Wednesday, May 30, 2018 1:16 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: provincial borrowing rate

ADM/DM here at the ministry. We want to use provincial borrowing information to provide context for the OFHP issuances.

On Wed, May 30, 2018 at 1:13 PM -0400, "Kim, John (OFA)"
<John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:

Just a quick question....who would be the intended audience?

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:39 PM
To: John Kim
Subject: RE: provincial borrowing rate

No rush on this. Thanks for the help John.

-----Original Message-----
From: Kim, John (OFA) [mailto:John.Kim@ofina.on.ca]
Sent: May-29-18 4:37 PM
To: Christie, Tim (ENERGY)
Subject: RE: provincial borrowing rate

When do you need it by? Will aim for tomorrow or Thursday. I have it ready except the analyst in charge is away so will need some digging.

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:22 PM
To: John Kim
Subject: Re: provincial borrowing rate

I'd like issues for 2018 to date, as well as anything going forward (we're planning to make it a monthly report).

On Tue, May 29, 2018 at 4:17 PM -0400, "Kim, John (OFA)" > wrote:

I think the OFA would be a pretty reliable source....but what do you need exactly? Just a point in time, as in - now or when the issues were done recently? Let me know and I should be able to help.

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:11 PM
To: John Kim
Subject: provincial borrowing rate

Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?

Tim

_____

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

Summary:

Total Funding	Term Debt Takeout
Senior debt	900,000,000.00
Subordinated	688,235,000.00
Junior subordinated	176,471,000.00
Total	**1,764,706,000.00**

Fair Hydro Trust

Date Issued	Fair Hydro Trust Debt Type	Amount	Interest Rate	Maturity Date	Series Number	Comments	Source
February 9, 2018	Senior debt	500,000,000.00	3.357%	May 15, 2033	2018-1		Link
February 9, 2018	Subordinated	382,353,000.00	3.637%	May 15, 2033	2018-1		Link
February 9, 2018	Junior subordinated	98,040,000.00	3.957%	May 15, 2033	2018-1		Link
April 24, 2018	Senior debt	400,000,000.00	3.520%	May 15, 2038	2018-2		LInk
April 24, 2018	Subordinated	305,882,000.00	3.834%	May 15, 2038	2018-2		LInk
April 24, 2018	Junior subordinated	78,431,000.00	4.214%	May 15, 2038	2018-2		LInk

Issuing Month	Weighted Average
February 9, 2018	3.526%
April 24, 2018	3.712%
Total	**3.609%**

Ontario Bond Yields

30yr	30yr w/ Commission	Debt Issue Maturity	Ont Rate	Ont Rate - w/ Commission	Notes	Souce
3.23%	3.25%	15 year	3.10%	3.14%	(Feb 9 Rate)	Link
3.23%	3.26%	20 year	3.22%	3.25%	(Apr 24 rate)	Link

From: John Kim
To: Tim Christie (ENERGY)
Subject: RE: provincial borrowing rate
Date: Wednesday, May 30, 2018 1:13:08 PM

Just a quick question....who would be the intended audience?

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:39 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: provincial borrowing rate

No rush on this. Thanks for the help John.

-----Original Message-----
From: Kim, John (OFA) [mailto:John.Kim@ofina.on.ca]
Sent: May-29-18 4:37 PM
To: Christie, Tim (ENERGY) <Tim.Christie@ontario.ca>
Subject: RE: provincial borrowing rate

When do you need it by? Will aim for tomorrow or Thursday. I have it ready except the analyst in charge is away so will need some digging.

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:22 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: provincial borrowing rate

I'd like issues for 2018 to date, as well as anything going forward (we're planning to make it a monthly report).

On Tue, May 29, 2018 at 4:17 PM -0400, "Kim, John (OFA)"
<John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:

I think the OFA would be a pretty reliable source....but what do you need exactly? Just a point in time, as in - now or when the issues were done recently? Let me know and I should be able to help.

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:11 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: provincial borrowing rate

Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?

Tim

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: John Kim
To: Ronald Kwan
Subject: RE: provincial borrowing rate
Date: Wednesday, May 30, 2018 8:38:33 AM

No, what the dealer communication included followed the same practice. I would say global practice.

John

-----Original Message-----
From: Ronald Kwan
Sent: Wednesday, May 30, 2018 8:37 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: provincial borrowing rate

Hi,

Internal practice?

Ron

> On May 30, 2018, at 8:15 AM, John Kim <John.Kim@ofina.on.ca> wrote:
>
> Hi Ron,
>
> The first one on February 9 was 15 years and the second one on April 24 was for 20 years. Both times, the practice was to compare [spread] versus Ontario 30 year rates.
>
> Thanks,
>
> John
>
> -----Original Message-----
> From: Ronald Kwan
> Sent: Tuesday, May 29, 2018 5:30 PM
> To: John Kim <John.Kim@ofina.on.ca>
> Subject: RE: provincial borrowing rate
>
> Hi John,
>
> What tenures has OPG borrowed at so far?
>
> Ron
>
> -----Original Message-----
> From: John Kim
> Sent: May-29-18 17:25
> To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> Subject: RE: provincial borrowing rate
>
> I believe we go with the 30 yr rates. I would recommend we do it and provide the data so we are on the same page (and not have different areas having different numbers). Also, relationship managing being my focus.
>
> I will talk to Tim on the intended use.
>

> John
>
> -----Original Message-----
> From: Ronald Kwan
> Sent: Tuesday, May 29, 2018 5:20 PM
> To: John Kim <John.Kim@ofina.on.ca>
> Subject: RE: provincial borrowing rate
>
> Hi John,
>
> Assuming Energy is looking for indicative provincial borrowing rates, not actual issuance amounts and rates each month, as the actual terms likely do not match FHP issuance terms? And some interpolation estimation would be required? Would we want to do that, or let it be Energy making such estimations?
>
> And, as discussed, what would be the intended use of the report be, and audience?
>
> Thanks,
> Ron
>
> -----Original Message-----
> From: John Kim
> Sent: May-29-18 16:41
> To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> Subject: FW: provincial borrowing rate
>
> Fyi
>
> -----Original Message-----
> From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
> Sent: Tuesday, May 29, 2018 4:22 PM
> To: John Kim <John.Kim@ofina.on.ca>
> Subject: Re: provincial borrowing rate
>
> I'd like issues for 2018 to date, as well as anything going forward (we're planning to make it a monthly report).
>
>
>
>
> On Tue, May 29, 2018 at 4:17 PM -0400, "Kim, John (OFA)"
<John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:
>
> I think the OFA would be a pretty reliable source....but what do you need exactly? Just a point in time, as in - now or when the issues were done recently? Let me know and I should be able to help.
>
>
> From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
> Sent: Tuesday, May 29, 2018 4:11 PM
> To: John Kim <John.Kim@ofina.on.ca>
> Subject: provincial borrowing rate
>
> Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?
>
> Tim
>
> _____

>
> This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: John Kim
To: Ronald Kwan
Subject: RE: provincial borrowing rate
Date: Wednesday, May 30, 2018 8:15:18 AM

Hi Ron,

The first one on February 9 was 15 years and the second one on April 24 was for 20 years. Both times, the practice was to compare [spread] versus Ontario 30 year rates.

Thanks,

John

-----Original Message-----
From: Ronald Kwan
Sent: Tuesday, May 29, 2018 5:30 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: provincial borrowing rate

Hi John,

What tenures has OPG borrowed at so far?

Ron

-----Original Message-----
From: John Kim
Sent: May-29-18 17:25
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: provincial borrowing rate

I believe we go with the 30 yr rates. I would recommend we do it and provide the data so we are on the same page (and not have different areas having different numbers). Also, relationship managing being my focus.

I will talk to Tim on the intended use.

John

-----Original Message-----
From: Ronald Kwan
Sent: Tuesday, May 29, 2018 5:20 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: provincial borrowing rate

Hi John,

Assuming Energy is looking for indicative provincial borrowing rates, not actual issuance amounts and rates each month, as the actual terms likely do not match FHP issuance terms? And some interpolation estimation would be required? Would we want to do that, or let it be Energy making such estimations?

And, as discussed, what would be the intended use of the report be, and audience?

Thanks,
Ron

-----Original Message-----
From: John Kim
Sent: May-29-18 16:41
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: provincial borrowing rate

Fyi

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:22 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: provincial borrowing rate

I'd like issues for 2018 to date, as well as anything going forward (we're planning to make it a monthly report).

On Tue, May 29, 2018 at 4:17 PM -0400, "Kim, John (OFA)"
<John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:

I think the OFA would be a pretty reliable source….but what do you need exactly? Just a point in time, as in – now or when the issues were done recently? Let me know and I should be able to help.

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:11 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: provincial borrowing rate

Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?

Tim

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Ronald Kwan
To: John Kim
Subject: RE: provincial borrowing rate
Date: Tuesday, May 29, 2018 5:29:51 PM

Hi John,

What tenures has OPG borrowed at so far?

Ron

-----Original Message-----
From: John Kim
Sent: May-29-18 17:25
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: provincial borrowing rate

I believe we go with the 30 yr rates. I would recommend we do it and provide the data so we are on the same page (and not have different areas having different numbers). Also, relationship managing being my focus.

I will talk to Tim on the intended use.

John

-----Original Message-----
From: Ronald Kwan
Sent: Tuesday, May 29, 2018 5:20 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: provincial borrowing rate

Hi John,

Assuming Energy is looking for indicative provincial borrowing rates, not actual issuance amounts and rates each month, as the actual terms likely do not match FHP issuance terms? And some interpolation estimation would be required? Would we want to do that, or let it be Energy making such estimations?

And, as discussed, what would be the intended use of the report be, and audience?

Thanks,
Ron

-----Original Message-----
From: John Kim
Sent: May-29-18 16:41
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: provincial borrowing rate

Fyi

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:22 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: provincial borrowing rate

I'd like issues for 2018 to date, as well as anything going forward (we're planning to make it a monthly report).

On Tue, May 29, 2018 at 4:17 PM -0400, "Kim, John (OFA)"
<John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:

I think the OFA would be a pretty reliable source….but what do you need exactly? Just a point in time, as in – now or when the issues were done recently? Let me know and I should be able to help.

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:11 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: provincial borrowing rate

Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?

Tim

_____

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Shajee Kathirgamanathan
To:	John Kim
Subject:	RE: provincial borrowing rate
Date:	Thursday, May 31, 2018 4:24:42 PM
Attachments:	Letter to Province - Process Certificate.pdf Re Fair Hydro Plan - Deliveries under Change of Law Process Agreement.pdf

Thanks…Just in the nick of time…I was drafting the email.

Just looking at the process certificate, there does seem to be information on the fees (Schedule D), but might be easier and more accurate if we (or someone at MOF/OFA) can reach out to OPG directly.

I can take a closer look at this tomorrow… Just working on the other CO request now for EOD

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Thursday, May 31, 2018 4:13 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: Fwd: provincial borrowing rate

Let's think about this before sending to Tim so hold for a bit

Sent from my iPhone

Begin forwarded message:

> **From:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Date:** May 31, 2018 at 2:16:20 PM EDT
> **To:** John Kim <John.Kim@ofina.on.ca>
> **Subject: FW: provincial borrowing rate**
>
> Hi John,
>
> What do you think? Can we add that in?
>
> Ron
>
> -----Original Message-----
> From: Gadi Mayman
> Sent: May-31-18 14:10
> To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
> Subject: RE: provincial borrowing rate
>
> Thanks, Ron. I notice that the Ontario rates have a column that include commissions. Should we have a similar one for the FHP rates (at least the senior

debt; I'm assuming that they don't pay commission on the sub)?

-----Original Message-----
From: Ronald Kwan
Sent: Thursday, May 31, 2018 1:56 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: FW: provincial borrowing rate

Hi Gadi,

FYI. Energy has asked for some Provincial borrowing rate data as context for planned periodic reports on FHP borrowing. Staff put together the attached.

Ron

-----Original Message-----
From: Ronald Kwan
Sent: May-31-18 13:34
To: John Kim <John.Kim@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: provincial borrowing rate

Thanks John. Looks fine, but would a little reformatting help?

Ron

-----Original Message-----
From: John Kim
Sent: May-31-18 12:16
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: FW: provincial borrowing rate

Hi Ron,

Pls. see attached proposed file to be sent over and the original communication below.

We base our numbers off of CFB's daily update files and have full backup saved with links within the file.

Thanks,

John

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]

Sent: Wednesday, May 30, 2018 1:16 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: provincial borrowing rate

ADM/DM here at the ministry. We want to use provincial borrowing information to provide context for the OFHP issuances.

On Wed, May 30, 2018 at 1:13 PM -0400, "Kim, John (OFA)" <John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:

Just a quick question....who would be the intended audience?

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:39 PM
To: John Kim
Subject: RE: provincial borrowing rate

No rush on this. Thanks for the help John.

-----Original Message-----
From: Kim, John (OFA) [mailto:John.Kim@ofina.on.ca]
Sent: May-29-18 4:37 PM
To: Christie, Tim (ENERGY)
Subject: RE: provincial borrowing rate

When do you need it by? Will aim for tomorrow or Thursday. I have it ready except the analyst in charge is away so will need some digging.

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:22 PM
To: John Kim
Subject: Re: provincial borrowing rate

I'd like issues for 2018 to date, as well as anything going forward (we're planning to make it a monthly report).

On Tue, May 29, 2018 at 4:17 PM -0400, "Kim, John (OFA)" > wrote:

I think the OFA would be a pretty reliable source....but what do you need exactly? Just a point in time, as in - now or when the issues were done recently? Let me know and I should be able to help.

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:11 PM
To: John Kim
Subject: provincial borrowing rate

Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?

Tim

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

TORYS LLP

79 Wellington St. W., 30th Floor
Box 270, TD South Tower
Toronto, Ontario M5K 1N2 Canada
P. 416.865.0040 | F. 416.865.7380
www.torys.com

Brett Saulnier
bsaulnier@torys.com
P. 416.865.8148

February 8, 2018

CONFIDENTIAL

Ministry of Finance
7 Queen's Park Crescent, 7th Floor
Toronto, Ontario M7A 1Y7

Attention: Minister of Finance
Deputy Minister of Finance

Ministry of Energy
Hearst Block 4th Floor, 900 Bay Street
Toronto, Ontario M7A 2E1

Attention: Minister of Energy
Deputy Ministry of Energy

Dear Sirs/Mesdames:

Re: Fair Hydro Plan – Deliveries under Change of Law Process Agreement

Reference is made to the Change of Law Process Agreement dated as of December 21, 2017 between Her Majesty the Queen in Right of Ontario, as represented by the Minister of Energy and the Minister of Finance, and Ontario Power Generation Inc. (the "**Change of Law Process Agreement**"). Capitalized terms used and not defined herein shall have their respective meanings in the Change of Law Process Agreement.

On February 9, 2018, Fair Hydro Trust (the "**Issuer**") will issue (i) C$500,000,000 aggregate principal amount of 3.357% Senior Notes due May 15, 2033, Series 2018-1 in accordance with the terms of an agency agreement dated as of February 6, 2018 among the Issuer, Ontario Power Generation Inc. ("**OPG**") and the dealers named therein, (ii) C$382,353,000 aggregate principal amount of 3.637% Subordinated Notes due May 15, 2033, Series 2018-1 and (iii) C$98,040,000 aggregate principal amount of 3.957% Junior Subordinated Notes due May 15, 2033, Series 2018-1 (collectively, the "**Funding Obligations**").

On behalf of Ontario Power Generation Inc. and pursuant to section 3.01 of the Change of Law Process Agreement, please find enclosed a Process Certificate in respect of the Funding Obligations.

On behalf of Ontario Power Generation Inc. and pursuant to section 2.01(c) of the Change of Law Process Agreement, please find enclosed one Special Payment Date Agreement in respect of each of the Warehouse Senior Series 2017-1 Supplemental Indenture dated as of December 21, 2017 among, *inter alios*, the Issuer, Royal Bank of Canada and BNY Trust Company of Canada (the "**Indenture Trustee**"), the Warehouse Subordinated Series 2017-1 Supplemental

Indenture dated as of December 21, 2017 among the Issuer, OPG and the Indenture Trustee and the Warehouse Junior Subordinated Series 2017-1 Supplemental Indenture dated as of December 21, 2017 among the Issuer, OPG and the Indenture Trustee (collectively, the "**Warehouse Facilities**"). Such Special Payment Date Agreements permit a partial repayment of the Warehouse Facilities using proceeds from the Funding Obligations on a date that is not the 15th day of a given calendar month and allow the decrease notice to be delivered within two business days of such repayment (rather than five business days).

Yours truly,



Brett Saulnier

Encl.

cc: Rima Ramchandani, *Torys LLP*
John Lee, *Ontario Power Generation Inc.*
Lubna Ladak, *Ontario Power Generation Inc.*
Leslie Wong, *Ontario Power Generation Inc.*

24966160.1

ONTARIO POWER GENERATION INC.,
in its capacity as FSM

PROCESS CERTIFICATE

Certificate of the CFO and Treasurer pursuant to section 3.01 of the Change of Law Process Agreement

TO: Her Majesty the Queen in Right of Ontario, as represented by the Minister of Energy and the Minister of Finance (the "**Province**")

RE: C$500,000,000 aggregate principal amount of 3.357% Senior Notes due May 15, 2033, Series 2018-1 (the "**Series 2018-1 Senior Notes**")

AND RE: C$382,353,000 aggregate principal amount of 3.637% Subordinated Notes due May 15, 2033, Series 2018-1 (the "**Series 2018-1 Subordinated Notes**")

AND RE: C$98,040,000 aggregate principal amount of 3.957% Junior Subordinated Notes due May 15, 2033, Series 2018-1 (the "**Series 2018-1 Junior Subordinated Notes**")

AND RE: Agency agreement between Fair Hydro Trust (the "**Issuer**"), Ontario Power Generation Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Goldman Sachs Canada Inc., BMO Nesbitt Burns Inc., Scotia Capital Inc., National Bank Financial Inc., TD Securities Inc., Morgan Stanley Canada Limited, HSBC Securities (Canada) Inc., Laurentian Bank Securities Inc., Desjardins Securities Inc. and Casgrain & Company Limited dated as of February 6, 2018 (the "**Agency Agreement**" and together with the Series 2018-1 Senior Notes, the Series 2018-1 Subordinated Notes and the Series 2018-1 Junior Subordinated Notes, the "**Funding Obligations**")

Reference is made to the Change of Law Process Agreement dated December 21, 2017 among the Province and Ontario Power Generation Inc. (the "**Change of Law Process Agreement**"). Capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Change of Law Process Agreement.

Each of the undersigned, being the Chief Financial Officer and Treasurer of OPG acting in its capacity as FSM and holding the offices set forth under their names and signatures below, pursuant to and accordance with section 3.01 of the Change of Law Process Agreement, hereby certifies for and on behalf of OPG, in its capacity as Financial Services Manager, and not in such officer's personal capacity and intending that this certificate may be relied on by the addressees hereof without independent inquiry, that:

1. I have read and understand the provisions of the Change of Law Process Agreement and all other documents and materials necessary to enable me to deliver this certificate.

2. The material terms of the Series 2018-1 Senior Notes are set forth in Schedule A.

3. The material terms of the Series 2018-1 Subordinated Notes are set forth in Schedule B.

4. The material terms of the Series 2018-1 Junior Subordinated Notes are set forth in Schedule C.

5. The material terms of the Agency Agreement are set forth in Schedule D.

6. The Funding Obligations:

   (a) will arise under terms and conditions that are Substantially in the Form of the Reference Documentation applicable thereto;

   (b) in my opinion, are reasonably incurred or effected in compliance with the Act, the General Regulation, any other enactments related thereto and the Financing Plan;

   (c) are of a type and are on terms that a reasonably prudent financial services manager would incur in similar circumstances; and

   (d) reflect, in all material respects, arm's length terms and conditions.

7. The Disclosure Document used in connection with the offering and sale of the Series 2018-1 Senior Notes is Substantially in the Form of the Reference Documentation. No Disclosure Document was used in connection with the offering and sale of the Series 2018-1 Subordinated Notes or Series 2018-1 Junior Subordinated Notes.

8. Any disclosure made in respect of any of the Funding Obligations (including any Disclosure Document, press release or other written communication prepared for dissemination to third parties in relation to any of the Funding Obligations) that refers to or describes the terms, effect or adherence of or to the Change of Law Process Agreement or the Change of Law Protection Agreement has been made available to the Province prior to use or dissemination, other than where such disclosure was substantially the same as a disclosure previously made.

9. No Breach Event has occurred on or prior to the date hereof, unless such Breach Event has been waived by the Province in writing.

10. At the time the Funding Obligations are incurred, the maximum aggregate payment amounts due or becoming due in the future in respect of Repayments under the Funding Obligations, together with all other outstanding amounts due or becoming due in the future in respect of Repayments under all Approved Obligations, do not exceed the Protection Agreement Maximum applicable on the date hereof.

[Remainder of page intentionally left blank.]

DATED as of the 9th day of February, 2018.

Name: Ken Hartwick
Title: Chief Financial Officer and
Senior Vice President

Name: John Lee
Title: Vice President – Treasurer

[Signature page to Process Certificate]

SCHEDULE A

SERIES 2018-1 SENIOR NOTES TERM SHEET	
Principal Amount	Unlimited but initially C$500,000,000
Interest Rate	3.357% per annum (the "**Series 2018-1 Senior Interest Rate**")
Interest Payments	The "**Interest Payment Dates**" for the Series 2018-1 Senior Notes are as follows: (i) prior to the occurrence of an Amortization Event (as defined below), interest on the Series 2018-1 Senior Notes shall be payable in equal semi-annual instalments (except the first interest payment) in arrears on May 15 and November 15 of each year, commencing May 15, 2018 (short first coupon); and (ii) following the occurrence of an Amortization Event, interest will be payable in arrears on the outstanding principal amount of the Series 2018-1 Senior Notes on each Payment Date (as defined in the Master Trust Indenture dated December 21, 2017 between the Issuer and BNY Trust Company of Canada, as supplemented (the "**MTI**")) thereafter at a rate equal to the monthly equivalent of the Series 2018-1 Senior Interest Rate; that is, the interest rate that, when compounded monthly for six months on a stated outstanding principal amount, yields interest in an amount equal to the Series 2018-1 Senior Interest Rate, multiplied by such outstanding principal amount and divided by two. The first interest payment on the Series 2018-1 Senior Notes will include accrued and unpaid interest for the period from, and including, February 9, 2018 to, but excluding, the first Interest Payment Date. Subject to the occurrence of an Acceleration Event (as defined below), the first interest payment will be in an amount equal to C$8.73739726 per C$1,000 principal amount of Series 2018-1 Senior Notes. "**Amortization Event**" means either an Acceleration Event has occurred with respect to the Series 2018-1 Senior Notes, or the outstanding principal amount of the Series 2018-1 Senior Notes has not been paid in full on May 15, 2033. "**Acceleration Event**" means either (i) all Issuer Funding Obligations are declared due and payable in accordance with the provisions of the MTI, or (ii) the outstanding principal amount of the Series 2018-1 Senior Notes and all interest thereon is declared due and payable in accordance with the MTI as a result of the occurrence of certain events of default.
Issue Price	C$1,000.03 per C$1,000 principal amount of Series 2018-1 Senior Notes
Fees	See Schedule D under the heading "Fees"
Term to Maturity	15.25 years
Amortization	Subject to the occurrence of an Acceleration Event, the outstanding principal amount of the Series 2018-1 Senior Notes shall be due and payable on May 15, 2033. Following the occurrence of an Amortization Event, each Payment Date thereafter shall be a Principal Payment Date (as defined in the MTI) in respect of the Series 2018-1 Senior Notes and the then outstanding principal amount of the Series 2018-1 Senior Notes shall be due and payable on each such Payment Date. A failure to pay principal on May 15, 2033 for the Series 2018-1 Senior Notes will constitute an event of default upon the occurrence of which the holders of Series 2018-1 Senior Notes may declare the outstanding principal and all accrued and unpaid interest on the Series 2018-1 Senior Notes to be immediately due and payable. Subject to the occurrence of an Amortization Event, the Series 2018-1 Senior Notes shall have the Principal Accumulation Amounts for the Payment Dates specified in Appendix 1 hereto.
Extension	N/A
Redemption	The Series 2018-1 Senior Notes will be redeemable at the option of the Issuer, in whole or in part, at any time and from time to time, on not less than 15 nor more than 60 days' notice at the redemption price specified below. At any time prior to the Par Call Date (as defined below), the redemption price will be equal to the greater of (i) the Series 2018-1 Canada Yield Price (as defined below) and (ii) par, plus, in each case, accrued and unpaid interest to, but not including, the date of redemption. On or after the Par Call Date, the redemption price will be equal to par, plus accrued and unpaid interest to, but not including, the date of redemption. "**Par Call Date**" means November 15, 2032. "**Series 2018-1 Canada Yield Price**" means a price equal to the price of the Series 2018-1 Senior Notes calculated to provide a yield to the Par Call Date, compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, equal to the Government of Canada Yield (as defined below) calculated at 10:00 a.m. (Toronto time) on the third business day preceding the date of redemption, plus 0.23% per annum. "**Government of Canada Yield**" on any date means, in respect of the Series 2018-1 Senior Notes being redeemed, the yield from the redemption date to the Par Call Date compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on such date with a term to maturity equal to the remaining term to the Par Call Date (calculated from the date of redemption), such yield being the average of the yields provided by two major Canadian investment dealers specified by the Issuer.

APPENDIX 1

PRINCIPAL ACCUMULATION AMOUNTS AND PAYMENT DATES

Payment Date	Principal Accumulation Amount
January 15, 2030	C$3,655,755.29
February 15, 2030	C$7,626,564.99
March 15, 2030	C$8,257,633.61
April 15, 2030	C$8,191,586.84
May 15, 2030	C$7,890,462.63
June 15, 2030	C$7,584,364.60
July 15, 2030	C$9,084,874.20
August 15, 2030	C$11,442,279.18
September 15, 2030	C$12,391,444.77
October 15, 2030	C$12,750,308.92
November 15, 2030	C$11,982,236.88
December 15, 2030	C$11,293,079.64
January 15, 2031	C$10,793,983.66
February 15, 2031	C$10,722,332.46
March 15, 2031	C$11,500,665.58
April 15, 2031	C$11,354,192.22
May 15, 2031	C$10,817,597.00
June 15, 2031	C$10,295,734.83
July 15, 2031	C$9,657,558.16
August 15, 2031	C$9,972,812.07
September 15, 2031	C$10,763,812.68
October 15, 2031	C$11,008,621.17
November 15, 2031	C$10,283,044.04
December 15, 2031	C$9,663,858.15
January 15, 2032	C$11,614,637.47
February 15, 2032	C$14,086,300.93
March 15, 2032	C$15,155,597.37
April 15, 2032	C$15,258,171.67
May 15, 2032	C$14,584,770.10
June 15, 2032	C$13,686,506.16
July 15, 2032	C$14,172,728.13
August 15, 2032	C$16,021,396.29
September 15, 2032	C$17,345,995.76
October 15, 2032	C$17,773,273.46
November 15, 2032	C$16,598,773.70
December 15, 2032	C$15,634,984.01
January 15, 2033	C$16,715,366.47
February 15, 2033	C$18,464,628.87
March 15, 2033	C$19,935,085.13
April 15, 2033	C$19,792,624.35
May 15, 2033	C$4,174,356.56

SCHEDULE B

SERIES 2018-1 SUBORDINATED NOTES TERM SHEET	
Principal Amount	Unlimited but initially C$382,353,000
Interest Rate	3.637% per annum (the "**Series 2018-1 Subordinated Interest Rate**")
Interest Payments	The "**Interest Payment Dates**" for the Series 2018-1 Subordinated Notes are as follows: (i) prior to the occurrence of an Amortization Event (as defined below), interest on the Series 2018-1 Subordinated Notes shall be payable in equal semi-annual instalments (except the first interest payment) in arrears on May 15 and November 15 of each year, commencing May 15, 2018 (short first coupon); and (ii) following the occurrence of an Amortization Event, interest will be payable in arrears on the outstanding principal amount of the Series 2018-1 Subordinated Notes on each Payment Date (as defined in the Master Trust Indenture dated December 21, 2017 between the Issuer and BNY Trust Company of Canada, as supplemented (the "**MTI**")) thereafter at a rate equal to the monthly equivalent of the Series 2018-1 Subordinated Interest Rate; that is, the interest rate that, when compounded monthly for six months on a stated outstanding principal amount, yields interest in an amount equal to the Series 2018-1 Subordinated Interest Rate, multiplied by such outstanding principal amount and divided by two. The first interest payment on the Series 2018-1 Subordinated Notes will include accrued and unpaid interest for the period from, and including, February 9, 2018 to, but excluding, the first Interest Payment Date. Subject to the occurrence of an Acceleration Event (as defined below), the first interest payment will be in an amount equal to C$9.466164384 per C$1,000 principal amount of Series 2018-1 Subordinated Notes. "**Amortization Event**" means either an Acceleration Event has occurred with respect to the Series 2018-1 Subordinated Notes, or the outstanding principal amount of the Series 2018-1 Subordinated Notes has not been paid in full on May 15, 2033. "**Acceleration Event**" means either (i) all Issuer Funding Obligations are declared due and payable in accordance with the provisions of the MTI, or (ii) the outstanding principal amount of the Series 2018-1 Subordinated Notes and all interest thereon is declared due and payable in accordance with the MTI as a result of the occurrence of certain events of default.
Issue Price	C$1,000 per C$1,000 principal amount of Series 2018-1 Subordinated Notes
Fees	N/A
Term to Maturity	15.25 years
Amortization	Subject to the occurrence of an Acceleration Event, the outstanding principal amount of the Series 2018-1 Subordinated Notes shall be due and payable on May 15, 2033. Following the occurrence of an Amortization Event, each Payment Date thereafter shall be a Principal Payment Date (as defined in the MTI) in respect of the Series 2018-1 Subordinated Notes and the then outstanding principal amount of the Series 2018-1 Subordinated Notes shall be due and payable on each such Payment Date. A failure to pay principal on May 15, 2033 for the Series 2018-1 Subordinated Notes will constitute an event of default upon the occurrence of which the holders of Series 2018-1 Subordinated Notes may declare the outstanding principal and all accrued and unpaid interest on the Series 2018-1 Subordinated Notes to be immediately due and payable. Subject to the occurrence of an Amortization Event, the Series 2018-1 Subordinated Notes shall have the Principal Accumulation Amounts for the Payment Dates specified in Appendix 2 hereto.
Extension	N/A
Redemption	The Series 2018-1 Subordinated Notes will be redeemable at the option of the Issuer, in whole or in part, at any time and from time to time, on not less than 15 nor more than 60 days' notice at the redemption price specified below. At any time prior to the Par Call Date (as defined below), the redemption price will be equal to the greater of (i) the Series 2018-1 Canada Yield Price (as defined below) and (ii) par, plus, in each case, accrued and unpaid interest to, but not including, the date of redemption. On or after the Par Call Date, the redemption price will be equal to par, plus accrued and unpaid interest to, but not including, the date of redemption. "**Par Call Date**" means November 15, 2032. "**Series 2018-1 Canada Yield Price**" means a price equal to the price of the Series 2018-1 Subordinated Notes calculated to provide a yield to the Par Call Date, compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, equal to the Government of Canada Yield (as defined below) calculated at 10:00 a.m. (Toronto time) on the third business day preceding the date of redemption, plus 0.30% per annum. "**Government of Canada Yield**" on any date means, in respect of the Series 2018-1 Subordinated Notes being redeemed, the yield from the redemption date to the Par Call Date compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on such date with a term to maturity equal to the remaining term to the Par Call Date (calculated from the date of redemption), such yield being the average of the yields provided by two major Canadian investment dealers specified by the Issuer.

APPENDIX 2

PRINCIPAL ACCUMULATION AMOUNTS AND PAYMENT DATES

Payment Date	Principal Accumulation Amount
January 15, 2030	C$2,795,577.57
February 15, 2030	C$5,832,079.11
March 15, 2030	C$6,314,661.00
April 15, 2030	C$6,264,154.64
May 15, 2030	C$6,033,883.19
June 15, 2030	C$5,799,808.22
July 15, 2030	C$6,947,256.74
August 15, 2030	C$8,749,978.20
September 15, 2030	C$9,475,810.71
October 15, 2030	C$9,750,236.23
November 15, 2030	C$9,162,887.03
December 15, 2030	C$8,635,884.43
January 15, 2031	C$8,254,222.80
February 15, 2031	C$8,199,430.70
March 15, 2031	C$8,794,626.62
April 15, 2031	C$8,682,617.58
May 15, 2031	C$8,272,280.06
June 15, 2031	C$7,873,208.99
July 15, 2031	C$7,385,191.53
August 15, 2031	C$7,626,268.05
September 15, 2031	C$8,231,150.87
October 15, 2031	C$8,418,357.37
November 15, 2031	C$7,863,504.27
December 15, 2031	C$7,390,009.17
January 15, 2032	C$8,881,781.59
February 15, 2032	C$10,771,877.18
March 15, 2032	C$11,589,574.46
April 15, 2032	C$11,668,013.63
May 15, 2032	C$11,153,059.49
June 15, 2032	C$10,466,151.77
July 15, 2032	C$10,837,968.57
August 15, 2032	C$12,251,655.99
September 15, 2032	C$13,264,584.99
October 15, 2032	C$13,591,326.76
November 15, 2032	C$12,693,179.89
December 15, 2032	C$11,956,164.24
January 15, 2033	C$12,782,339.07
February 15, 2033	C$14,120,010.31
March 15, 2033	C$15,244,476.86
April 15, 2033	C$15,135,536.27
May 15, 2033	C$3,192,213.85

SCHEDULE C

SERIES 2018-1 JUNIOR SUBORDINATED NOTES TERM SHEET	
Principal Amount	Unlimited but initially C$98,040,000
Interest Rate	3.957% per annum (the "**Series 2018-1 Junior Subordinated Interest Rate**")
Interest Payments	The "**Interest Payment Dates**" for the Series 2018-1 Junior Subordinated Notes are as follows: (i) prior to the occurrence of an Amortization Event (as defined below), interest on the Series 2018-1 Junior Subordinated Notes shall be payable in equal semi-annual instalments (except the first interest payment) in arrears on May 15 and November 15 of each year, commencing May 15, 2018 (short first coupon); and (ii) following the occurrence of an Amortization Event, interest will be payable in arrears on the outstanding principal amount of the Series 2018-1 Junior Subordinated Notes on each Payment Date (as defined in the Master Trust Indenture dated December 21, 2017 between the Issuer and BNY Trust Company of Canada, as supplemented (the "**MTI**")) thereafter at a rate equal to the monthly equivalent of the Series 2018-1 Junior Subordinated Interest Rate; that is, the interest rate that, when compounded monthly for six months on a stated outstanding principal amount, yields interest in an amount equal to the Series 2018-1 Junior Subordinated Interest Rate, multiplied by such outstanding principal amount and divided by two. The first interest payment on the Series 2018-1 Junior Subordinated Notes will include accrued and unpaid interest for the period from, and including, February 9, 2018 to, but excluding, the first Interest Payment Date. Subject to the occurrence of an Acceleration Event (as defined below), the first interest payment will be in an amount equal to C$10.299041096 per C$1,000 principal amount of Series 2018-1 Junior Subordinated Notes. "**Amortization Event**" means either an Acceleration Event has occurred with respect to the Series 2018-1 Junior Subordinated Notes, or the outstanding principal amount of the Series 2018-1 Junior Subordinated Notes has not been paid in full on May 15, 2033. "**Acceleration Event**" means either (i) all Issuer Funding Obligations are declared due and payable in accordance with the provisions of the MTI, or (ii) the outstanding principal amount of the Series 2018-1 Junior Subordinated Notes and all interest thereon is declared due and payable in accordance with the MTI as a result of the occurrence of certain events of default.
Issue Price	C$1,000 per C$1,000 principal amount of Series 2018-1 Junior Subordinated Notes
Fees	N/A
Term to Maturity	15.25 years
Amortization	Subject to the occurrence of an Acceleration Event, the outstanding principal amount of the Series 2018-1 Junior Subordinated Notes shall be due and payable on May 15, 2033. Following the occurrence of an Amortization Event, each Payment Date thereafter shall be a Principal Payment Date (as defined in the MTI) in respect of the Series 2018-1 Junior Subordinated Notes and the then outstanding principal amount of the Series 2018-1 Junior Subordinated Notes shall be due and payable on each such Payment Date. A failure to pay principal on May 15, 2033 for the Series 2018-1 Junior Subordinated Notes will constitute an event of default upon the occurrence of which the holders of Series 2018-1 Junior Subordinated Notes may declare the outstanding principal and all accrued and unpaid interest on the Series 2018-1 Junior Subordinated Notes to be immediately due and payable. Subject to the occurrence of an Amortization Event, the Series 2018-1 Junior Subordinated Notes shall have the Principal Accumulation Amounts for the Payment Dates specified in Appendix 3 hereto.
Extension	N/A
Redemption	The Series 2018-1 Junior Subordinated Notes will be redeemable at the option of the Issuer, in whole or in part, at any time and from time to time, on not less than 15 nor more than 60 days' notice at the redemption price specified below. At any time prior to the Par Call Date (as defined below), the redemption price will be equal to the greater of (i) the Series 2018-1 Canada Yield Price (as defined below) and (ii) par, plus, in each case, accrued and unpaid interest to, but not including, the date of redemption. On or after the Par Call Date, the redemption price will be equal to par, plus accrued and unpaid interest to, but not including, the date of redemption. "**Par Call Date**" means November 15, 2032. "**Series 2018-1 Canada Yield Price**" means a price equal to the price of the Series 2018-1 Junior Subordinated Notes calculated to provide a yield to the Par Call Date, compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, equal to the Government of Canada Yield (as defined below) calculated at 10:00 a.m. (Toronto time) on the third business day preceding the date of redemption, plus 0.38% per annum. "**Government of Canada Yield**" on any date means, in respect of the Series 2018-1 Junior Subordinated Notes being redeemed, the yield from the redemption date to the Par Call Date compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on such date with a term to maturity equal to the remaining term to the Par Call Date (calculated from the date of redemption), such yield being the average of the yields provided by two major Canadian investment dealers specified by the Issuer.

APPENDIX 3

PRINCIPAL ACCUMULATION AMOUNTS AND PAYMENT DATES

Payment Date	Principal Accumulation Amount
January 15, 2030	C$716,814.76
February 15, 2030	C$1,495,404.90
March 15, 2030	C$1,619,143.85
April 15, 2030	C$1,606,193.50
May 15, 2030	C$1,547,149.54
June 15, 2030	C$1,487,130.31
July 15, 2030	C$1,781,347.88
August 15, 2030	C$2,243,584.15
September 15, 2030	C$2,429,695.05
October 15, 2030	C$2,500,060.57
November 15, 2030	C$2,349,458.21
December 15, 2030	C$2,214,329.34
January 15, 2031	C$2,116,467.38
February 15, 2031	C$2,102,418.13
March 15, 2031	C$2,255,032.47
April 15, 2031	C$2,226,312.20
May 15, 2031	C$2,121,097.45
June 15, 2031	C$2,018,771.54
July 15, 2031	C$1,893,638.85
August 15, 2031	C$1,955,453.35
September 15, 2031	C$2,110,551.51
October 15, 2031	C$2,158,553.17
November 15, 2031	C$2,016,283.15
December 15, 2031	C$1,894,874.15
January 15, 2032	C$2,277,379.90
February 15, 2032	C$2,762,019.79
March 15, 2032	C$2,971,685.76
April 15, 2032	C$2,991,798.37
May 15, 2032	C$2,859,758.84
June 15, 2032	C$2,683,628.66
July 15, 2032	C$2,778,966.30
August 15, 2032	C$3,141,450.25
September 15, 2032	C$3,401,175.64
October 15, 2032	C$3,484,955.58
November 15, 2032	C$3,254,661.51
December 15, 2032	C$3,065,683.14
January 15, 2033	C$3,277,522.84
February 15, 2033	C$3,620,515.46
March 15, 2033	C$3,908,840.22
April 15, 2033	C$3,880,906.74
May 15, 2033	C$819,285.59

SCHEDULE D

AGENCY AGREEMENT TERMS	
Appointment	The Issuer appoints the Agents to act as its sole and exclusive agents to effect the solicitation and private placement of Series 2018-1 Senior Notes to "accredited investors", as such term is defined under applicable securities laws, in the Provinces of Canada (the "**Offering**").
Fees	In consideration of the services provided to the Issuer by the Agents, the Issuer agrees to pay the Agents a fee equal to 0.50% of the aggregate principal amount of Series 2018-1 Senior Notes sold in the Offering.
Representations and Warranties	Representations and warranties in favour of the Agents from each of the Issuer and OPG customary for a private placement of notes, including representations that the disclosure document used in connection with the Offering does not contain a "misrepresentation", as such term is defined under applicable securities laws.
Conditions to Closing	As conditions to the closing of the Offering, the Issuer must provide, or arrange to have provided, certain standard certificates, legal opinions and other deliverables to the Agents.
Termination	The Agents have customary rights to terminate their obligations on the occurrence of certain events, including legal or other proceedings resulting in a material adverse change, a material adverse change in respect of the Issuer and financial disasters.
Indemnity	Each of the Issuer and OPG provides an indemnity to each of the Agents for any losses resulting from, among other things, breaches of representations, warranties and covenants, breaches of securities laws or a "misrepresentation" in the disclosure document used in connection with the Offering.

SPECIAL PRINCIPAL PAYMENT DATE AGREEMENT
(Senior Warehouse Supplemental Indenture)

Reference is made to:

(a) the Trust Indenture dated as of December 21, 2017 (the "**Trust Indenture**") between Computershare Trust Company of Canada in its capacity as trustee of Fair Hydro Trust and BNY Trust Company of Canada, as indenture trustee;

(b) the Warehouse Senior Series 2017-1 Supplemental Indenture (the "**Senior Warehouse Supplemental Indenture**") made as of December 21, 2017 between the undersigned signatories to this Special Principal Payment Date Agreement;

(c) an expected issuance on or about February 9, 2018 of Senior Notes bearing the full designation "3.357% Senior Notes due May 15, 2033, Series 2018-1" pursuant to a new Supplemental Indenture to be entered into (the "**Expected Term Issuance**").

Terms with initial capital letters in this Special Principal Payment Date Agreement have the meanings given to them in, or for the purposes of, the Senior Warehouse Supplemental Indenture and the Trust Indenture.

The undersigned hereby agree as follows:

1. Notwithstanding the terms of the Senior Warehouse Supplemental Indenture, the date of issuance of the Senior Notes pursuant to the Expected Term Issuance (the "**Special Principal Payment Date**") will be a Principal Payment Date and a Decrease Date as such terms are defined under, and for the purposes of, the Senior Warehouse Supplemental Indenture.

2. Each of the Principal Payment Amount and the Decrease Amount for such Special Principal Payment Date shall be $500,000,000.

3. Proceeds of the Expected Term Issuance will be applied pursuant to the provisions of the Trust Indenture and the Senior Warehouse Supplemental Indenture to the payment of the Principal Payment Amount.

4. For greater certainty, it is acknowledged that the Special Principal Payment Date will not be an Interest Payment Date under the Senior Warehouse Supplemental Indenture and that accrued interest in respect of the principal amount of the Series 2017-1 Senior Notes repaid on the Special Principal Payment Date will be paid on the next Payment Date.

5. Notwithstanding Section 3.4(a) of the Senior Warehouse Supplemental Indenture, the Decrease Notice in respect of the Decrease occurring on the Special Principal Payment Date may be delivered no later than the second Business Day prior to the Special Principal Payment Date.

6. This Special Principal Payment Date Agreement applies only to the proceeds of the Expected Term Issuance and shall not be relied upon to complete any other repayment of principal of Series 2017-1 Senior Notes. If the Special Principal Payment Date has not

occurred by February 28, 2018 this Special Principal Payment Date Agreement shall cease of be of any force and effect.

7. Except as modified hereby, the provisions of the Senior Warehouse Supplemental Indenture remain in full force and effect unamended.

8. Each Series 2017-1 Senior Noteholder acknowledges and consents to the foregoing and directs the Indenture Trustee to enter into this Special Principal Payment Date Agreement.

[Signature Page Follows]

DATED this 7th day of February, 2018.

COMPUTERSHARE TRUST COMPANY OF CANADA, in its capacity as trustee of **FAIR HYDRO TRUST**, as Issuer

By: **ONTARIO POWER GENERATION INC.**, not in its individual capacity but solely as Manager

By: _____
Name: Ken Hartwick
Title: Chief Financial Officer and Senior Vice President

By: _____
Name: John Lee
Title: Vice President – Treasurer

BNY TRUST COMPANY OF CANADA, as
Indenture Trustee

By: _____
Name: Ahmad Adam
Title: Vice-President

ROYAL BANK OF CANADA, as Administrative Agent

Ca

By: _____
Name: Ian Benaiah
Title: Authorized Signatory

By: _____
Name:
Title: Nur Khan
Authorized Signatory

CIBC MELLON TRUST COMPANY, in its capacity as trustee of **LAKESHORE TRUST**, by its Financial Services Agent, **ROYAL BANK OF CANADA**, as a CP Conduit Purchaser

By: _____
Name Ian Benaiah
Title: Authorized Signatory

By: _____
Name:
Title: Nur Khan
Authorized Signatory

ROYAL BANK OF CANADA, as a Group Bank

By: _____
Name: Ian Benaiah
Title: Authorized Signatory

By: _____
Name:
Title: Nur Khan
Authorized Signatory

CANADIAN IMPERIAL BANK OF COMMERCE, as a Group Bank

By: _____
Name: Andrew Maciel
Title: Authorized Signatory

By: _____
Name: Sunil Adalja
Title: Authorized Signatory

COMPUTERSHARE TRUST COMPANY OF CANADA, in its capacity as trustee of **SOUND TRUST**, by its Financial Services Agent, **CANADIAN IMPERIAL BANK OF COMMERCE**, as a CP Conduit Purchaser

By: _____
Name: Andrew Maciel
Title: Authorized Signatory

By: _____
Name: Sunil Adalja
Title: Authorized Signatory

COMPUTERSHARE TRUST COMPANY OF CANADA, in its capacity as trustee of **SURE TRUST**, by its Financial Services Agent, **CANADIAN IMPERIAL BANK OF COMMERCE**, as a CP Conduit Purchaser

By: _____
Name: Andrew Maciel
Title: Authorized Signatory

By: _____
Name: Sunil Adalja
Title: Authorized Signatory

GOLDMAN SACHS CANADA INC.

By: _____
Name: JASON ROWE
Title: Managing Director

[Signature page to Global Direction and Receipt]

SPECIAL PRINCIPAL PAYMENT DATE AGREEMENT
(Subordinated Warehouse Supplemental Indenture)

Reference is made to:

(a) the Trust Indenture dated as of December 21, 2017 (the "**Trust Indenture**") between Computershare Trust Company of Canada in its capacity as trustee of Fair Hydro Trust and BNY Trust Company of Canada, as indenture trustee;

(b) the Warehouse Subordinated Series 2017-1 Supplemental Indenture (the "**Subordinated Warehouse Supplemental Indenture**") made as of December 21, 2017 between the undersigned signatories to this Special Principal Payment Date Agreement;

(c) an expected issuance on or about February 9, 2018 of Subordinated Notes bearing the full designation "3.637% Subordinated Notes due May 15, 2033, Series 2018-1" pursuant to a new Supplemental Indenture to be entered into (the "**Expected Term Issuance**").

Terms with initial capital letters in this Special Principal Payment Date Agreement have the meanings given to them in, or for the purposes of, the Senior Warehouse Supplemental Indenture and the Trust Indenture.

The undersigned hereby agree as follows:

1. Notwithstanding the terms of the Subordinated Warehouse Supplemental Indenture, the date of issuance of the Subordinated Notes pursuant to the Expected Term Issuance (the "**Special Principal Payment Date**") will be a Principal Payment Date and a Decrease Date as such terms are defined under, and for the purposes of, the Subordinated Warehouse Supplemental Indenture.

2. Each of the Principal Payment Amount and the Decrease Amount for such Special Principal Payment Date shall be $382,353,000.

3. Proceeds of the Expected Term Issuance will be applied pursuant to the provisions of the Trust Indenture and the Subordinated Warehouse Supplemental Indenture to the payment of the Principal Payment Amount.

4. For greater certainty, it is acknowledged that the Special Principal Payment Date will not be an Interest Payment Date under the Subordinated Warehouse Supplemental Indenture and that accrued interest in respect of the principal amount of the Series 2017-1 Subordinated Notes repaid on the Special Principal Payment Date will be paid on the next Payment Date.

5. Notwithstanding Section 3.4 of the Subordinated Warehouse Supplemental Indenture, the Decrease Notice in respect of the Decrease occurring on the Special Principal Payment Date may be delivered no later than the second Business Day prior to the Special Principal Payment Date.

6. This Special Principal Payment Date Agreement applies only to the proceeds of the Expected Term Issuance and shall not be relied upon to complete any other repayment of principal of Series 2017-1 Subordinated Notes. If the Special Principal Payment Date has not occurred by February 28, 2018 this Special Principal Payment Date Agreement shall cease of be of any force and effect.

7. Except as modified hereby, the provisions of the Subordinated Warehouse Supplemental Indenture remain in full force and effect unamended.

8. Ontario Power Generation Inc. acknowledges and consents to the foregoing and directs the Indenture Trustee to enter into this Special Principal Payment Date Agreement.

[Signature Page Follows]

DATED this 7th day of February, 2018.

COMPUTERSHARE TRUST COMPANY OF CANADA, in its capacity as trustee of **FAIR HYDRO TRUST**, as Issuer

By: **ONTARIO POWER GENERATION INC.**, not in its individual capacity but solely as Manager

By: _____
Name: Ken Hartwick
Title: Chief Financial Officer and Senior Vice President

By: _____
Name: John Lee
Title: Vice President – Treasurer

BNY TRUST COMPANY OF CANADA, as
Indenture Trustee

By: _____
Name: Ahmad Adam
Title: Vice-President

[Signature page to Special Principal Payment Date Agreement – Subordinated Warehouse]

ONTARIO POWER GENERATION INC.

By: _____
Name: Ken Hartwick
Title: Chief Financial Officer and
Senior Vice President

By: _____
Name: John Lee
Title: Vice President – Treasurer

SPECIAL PRINCIPAL PAYMENT DATE AGREEMENT
(Junior Subordinated Warehouse Supplemental Indenture)

Reference is made to:

(a) the Trust Indenture dated as of December 21, 2017 (the "**Trust Indenture**") between Computershare Trust Company of Canada in its capacity as trustee of Fair Hydro Trust and BNY Trust Company of Canada, as indenture trustee;

(b) the Warehouse Junior Subordinated Series 2017-1 Supplemental Indenture (the "**Junior Subordinated Warehouse Supplemental Indenture**") made as of December 21, 2017 between the undersigned signatories to this Special Principal Payment Date Agreement;

(c) an expected issuance on or about February 9, 2018 of Junior Subordinated Notes bearing the full designation "3.957% Junior Subordinated Notes due May 15, 2033, Series 2018-1" pursuant to a new Supplemental Indenture to be entered into (the "**Expected Term Issuance**").

Terms with initial capital letters in this Special Principal Payment Date Agreement have the meanings given to them in, or for the purposes of, the Senior Warehouse Supplemental Indenture and the Trust Indenture.

The undersigned hereby agree as follows:

1. Notwithstanding the terms of the Junior Subordinated Warehouse Supplemental Indenture, the date of issuance of the Junior Subordinated Notes pursuant to the Expected Term Issuance (the "**Special Principal Payment Date**") will be a Principal Payment Date and a Decrease Date as such terms are defined under, and for the purposes of, the Junior Subordinated Warehouse Supplemental Indenture.

2. Each of the Principal Payment Amount and the Decrease Amount for such Special Principal Payment Date shall be $98,040,000.

3. Proceeds of the Expected Term Issuance will be applied pursuant to the provisions of the Trust Indenture and the Junior Subordinated Warehouse Supplemental Indenture to the payment of the Principal Payment Amount.

4. For greater certainty, it is acknowledged that the Special Principal Payment Date will not be an Interest Payment Date under the Junior Subordinated Warehouse Supplemental Indenture and that accrued interest in respect of the principal amount of the Series 2017-1 Junior Subordinated Notes repaid on the Special Principal Payment Date will be paid on the next Payment Date.

5. Notwithstanding Section 3.4 of the Junior Subordinated Warehouse Supplemental Indenture, the Decrease Notice in respect of the Decrease occurring on the Special Principal Payment Date may be delivered no later than the second Business Day prior to the Special Principal Payment Date.

6. This Special Principal Payment Date Agreement applies only to the proceeds of the Expected Term Issuance and shall not be relied upon to complete any other repayment of principal of Series 2017-1 Junior Subordinated Notes. If the Special Principal Payment Date has not occurred by February 28, 2018 this Special Principal Payment Date Agreement shall cease of be of any force and effect.

7. Except as modified hereby, the provisions of the Junior Subordinated Warehouse Supplemental Indenture remain in full force and effect unamended.

8. Ontario Power Generation Inc. acknowledges and consents to the foregoing and directs the Indenture Trustee to enter into this Special Principal Payment Date Agreement.

[Signature Page Follows]

DATED this 7th day of February, 2018.

COMPUTERSHARE TRUST COMPANY OF CANADA, in its capacity as trustee of **FAIR HYDRO TRUST**, as Issuer

By: **ONTARIO POWER GENERATION INC.**, not in its individual capacity but solely as Manager

By: _____
Name: Ken Hartwick
Title: Chief Financial Officer and Senior Vice President

By: _____
Name: John Lee
Title: Vice President – Treasurer

BNY TRUST COMPANY OF CANADA, as
Indenture Trustee

By: _____
Name: Ahmad Adam
Title: Vice-President

ONTARIO POWER GENERATION INC.

By: _____
Name: Ken Hartwick
Title: Chief Financial Officer and
Senior Vice President

By: _____
Name: John Lee
Title: Vice President – Treasurer

900-1

TORYS LLP

FIN5167DM-2018-69

XRF: FIN5167DM-2018-15

79 Wellington St. W., 30th Floor
Box 270, TD South Tower
Toronto, Ontario M5K 1N2 Canada
P. 416.865.0040 | F. 416.865.7380
www.torys.com

Date	April 23, 2018		
From	Brett Saulnier	**Direct Tel**	416-865-8148
Page(s)	30 (including this cover page)		39953-2002

Recipient	Fax Number	Tel Number
Ministry of Finance (Minister)	(416) 325-0374	
Ministry of Finance (Deputy)	(416) 325-1595	
Ministry of Energy (Minister)	(416) 327-6754	
Ministry of Energy (Deputy)	(416) 327-6755	

Comments See attached

RECEIVED
APR 24 2018
MINISTRY OF FINANCE
DEPUTY MINISTER'S OFFICE

If there are problems with this transmission, please call the FAX department at 416.865.7692.

This communication, and any information or material transmitted with this communication, is intended only for the use of the intended recipients and it may be privileged and confidential. If you are not the intended recipient, you are hereby notified that any review, retransmission, conversion to hard copy, copying, circulation, publication, dissemination, distribution, reproduction or other use of this communication, information or material is prohibited and may be illegal. If you received this communication in error, please notify us immediately by telephone or by return email, and delete the communication, information and material from any computer, disk drive, diskette or other storage device or media. Thank you.

TORYS LLP

79 Wellington St. W., 30th Floor
Box 270, TD South Tower
Toronto, Ontario M5K 1N2 Canada
P. 416.865.0040 | F. 416.865.7380
www.torys.com

Brett Saulnier
bsaulnier@torys.com
P. 416.865.8148

April 23, 2018

CONFIDENTIAL

Ministry of Finance
7 Queen's Park Crescent, 7th Floor
Toronto, Ontario M7A 1Y7

Attention: Minister of Finance
Deputy Minister of Finance

Ministry of Energy
Hearst Block 4th Floor, 900 Bay Street
Toronto, Ontario M7A 2E1

Attention: Minister of Energy
Deputy Ministry of Energy

Dear Sirs/Mesdames:

Re: Fair Hydro Plan – Deliveries under Change of Law Process Agreement

Reference is made to the Change of Law Process Agreement dated as of December 21, 2017 between Her Majesty the Queen in Right of Ontario, as represented by the Minister of Energy and the Minister of Finance, and Ontario Power Generation Inc. (the "**Change of Law Process Agreement**"). Capitalized terms used and not defined herein shall have their respective meanings in the Change of Law Process Agreement.

On April 24, Fair Hydro Trust (the "**Issuer**") will issue (i) C$400,000,000 aggregate principal amount of 3.52% Senior Notes due May 15, 2038, Series 2018-2 in accordance with the terms of an agency agreement dated as of April 19, 2018 among the Issuer, Ontario Power Generation Inc. ("**OPG**") and the dealers named therein, (ii) C$305,882,000 aggregate principal amount of 3.834% Subordinated Notes due May 15, 2038, Series 2018-2 and (iii) C$78,431,000 aggregate principal amount of 4.214% Junior Subordinated Notes due May 15, 2038, Series 2018-2 (collectively, the "**Funding Obligations**").

On behalf of Ontario Power Generation Inc. and pursuant to section 3.01 of the Change of Law Process Agreement, please find enclosed a Process Certificate in respect of the Funding Obligations.

On behalf of Ontario Power Generation Inc. and pursuant to section 2.01(c) of the Change of Law Process Agreement, please find enclosed one Special Payment Date Agreement in respect of each of the Warehouse Senior Series 2017-1 Supplemental Indenture dated as of December 21, 2017 among, *inter alios*, the Issuer, Royal Bank of Canada and BNY Trust Company of Canada (the "**Indenture Trustee**"), the Warehouse Subordinated Series 2017-1 Supplemental

Indenture dated as of December 21, 2017 among the Issuer, OPG and the Indenture Trustee and the Warehouse Junior Subordinated Series 2017-1 Supplemental Indenture dated as of December 21, 2017 among the Issuer, OPG and the Indenture Trustee (collectively, the "**Warehouse Facilities**"). Such Special Payment Date Agreements permit a partial repayment of the Warehouse Facilities using proceeds from the Funding Obligations on a date that is not the 15th day of a given calendar month and allow the decrease notice to be delivered within two business days of such repayment (rather than five business days).

Yours truly,



Brett Saulnier

Encl.

cc: Rima Ramchandani, *Torys LLP*
John Lee, *Ontario Power Generation Inc.*
Lubna Ladak, *Ontario Power Generation Inc.*
Clara Greco, *Ontario Power Generation Inc.*

25407780.3

ONTARIO POWER GENERATION INC.,
in its capacity as FSM

PROCESS CERTIFICATE (2018-2)

Certificate of the CFO and Treasurer pursuant to section 3.01 of the Change of Law Process Agreement

TO: Her Majesty the Queen in Right of Ontario, as represented by the Minister of Energy and the Minister of Finance (the "**Province**")

RE: C$400,000,000 aggregate principal amount of 3.52% Senior Notes due May 15, 2038, Series 2018-2 (the "**Series 2018-2 Senior Notes**")

AND RE: C$305,882,000 aggregate principal amount of 3.834% Subordinated Notes due May 15, 2038, Series 2018-2 (the "**Series 2018-2 Subordinated Notes**")

AND RE: C$78,431,000 aggregate principal amount of 4.214% Junior Subordinated Notes due May 15, 2038, Series 2018-2 (the "**Series 2018-2 Junior Subordinated Notes**")

AND RE: Agency agreement between Fair Hydro Trust (the "**Issuer**"), Ontario Power Generation Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Goldman Sachs Canada Inc., BMO Nesbitt Burns Inc., Scotia Capital Inc., National Bank Financial Inc., TD Securities Inc., Morgan Stanley Canada Limited, HSBC Securities (Canada) Inc., Laurentian Bank Securities Inc., Desjardins Securities Inc. and Casgrain & Company Limited dated as of April 19, 2018 (the "**Agency Agreement**" and together with the Series 2018-2 Senior Notes, the Series 2018-2 Subordinated Notes and the Series 2018-2 Junior Subordinated Notes, the "**Funding Obligations**")

Reference is made to the Change of Law Process Agreement dated December 21, 2017 among the Province and Ontario Power Generation Inc. (the "**Change of Law Process Agreement**"). Capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Change of Law Process Agreement.

Each of the undersigned, being the Chief Financial Officer and Treasurer of OPG acting in its capacity as FSM and holding the offices set forth under their names and signatures below, pursuant to and accordance with section 3.01 of the Change of Law Process Agreement, hereby certifies for and on behalf of OPG, in its capacity as Financial Services Manager, and not in such officer's personal capacity and intending that this certificate may be relied on by the addressees hereof without independent inquiry, that:

1. I have read and understand the provisions of the Change of Law Process Agreement and all other documents and materials necessary to enable me to deliver this certificate.

2. The material terms of the Series 2018-2 Senior Notes are set forth in Schedule A.

3. The material terms of the Series 2018-2 Subordinated Notes are set forth in Schedule B.

4. The material terms of the Series 2018-2 Junior Subordinated Notes are set forth in Schedule C.

5. The material terms of the Agency Agreement are set forth in Schedule D.

6. The Funding Obligations:

   (a) will arise under terms and conditions that are Substantially in the Form of the Reference Documentation applicable thereto;

   (b) in my opinion, are reasonably incurred or effected in compliance with the Act, the General Regulation, any other enactments related thereto and the Financing Plan;

   (c) are of a type and are on terms that a reasonably prudent financial services manager would incur in similar circumstances; and

   (d) reflect, in all material respects, arm's length terms and conditions.

7. The Disclosure Document used in connection with the offering and sale of the Series 2018-2 Senior Notes is Substantially in the Form of the Reference Documentation. No Disclosure Document was used in connection with the offering and sale of the Series 2018-2 Subordinated Notes or Series 2018-2 Junior Subordinated Notes.

8. Any disclosure made in respect of any of the Funding Obligations (including any Disclosure Document, press release or other written communication prepared for dissemination to third parties in relation to any of the Funding Obligations) that refers to or describes the terms, effect or adherence of or to the Change of Law Process Agreement or the Change of Law Protection Agreement has been made available to the Province prior to use or dissemination, other than where such disclosure was substantially the same as a disclosure previously made.

9. No Breach Event has occurred on or prior to the date hereof, unless such Breach Event has been waived by the Province in writing.

10. At the time the Funding Obligations are incurred, the maximum aggregate payment amounts due or becoming due in the future in respect of Repayments under the Funding Obligations, together with all other outstanding amounts due or becoming due in the future in respect of Repayments under all Approved Obligations, do not exceed the Protection Agreement Maximum applicable on the date hereof.

[Remainder of page intentionally left blank.]

DATED as of the 24th day of April, 2018.

Name: Ken Hartwick
Title: Chief Financial Officer and Senior Vice President

Name: John Lee
Title: Vice President – Treasurer

[Signature page to Process Certificate (2018-2)]

SCHEDULE A

SERIES 2018-2 SENIOR NOTES TERM SHEET	
Principal Amount	Unlimited but initially C$400,000,000
Interest Rate	3.52% per annum (the "Series 2018-2 Senior Interest Rate")
Interest Payments	The "Interest Payment Dates" for the Series 2018-2 Senior Notes are as follows: (i) prior to the occurrence of an Amortization Event (as defined below), interest on the Series 2018-2 Senior Notes shall be payable in equal semi-annual instalments (except the first interest payment) in arrears on May 15 and November 15 of each year, commencing May 15, 2018 (short first coupon); and (ii) following the occurrence of an Amortization Event, interest will be payable in arrears on the outstanding principal amount of the Series 2018-2 Senior Notes on each Payment Date (as defined in the Master Trust Indenture dated December 21, 2017 between the Issuer and BNY Trust Company of Canada, as supplemented (the "MTI")) thereafter at a rate equal to the monthly equivalent of the Series 2018-2 Senior Interest Rate; that is, the interest rate that, when compounded monthly for six months on a stated outstanding principal amount, yields interest in an amount equal to the Series 2018-2 Senior Interest Rate, multiplied by such outstanding principal amount and divided by two. The first interest payment on the Series 2018-2 Senior Notes will include accrued and unpaid interest for the period from, and including, April 24, 2018 to, but excluding, the first Interest Payment Date. Subject to the occurrence of an Acceleration Event (as defined below), the first interest payment will be in an amount equal to C$2.02520548 per C$1,000 principal amount of Series 2018-2 Senior Notes. "Amortization Event" means either an Acceleration Event has occurred with respect to the Series 2018-2 Senior Notes, or the outstanding principal amount of the Series 2018-2 Senior Notes has not been paid in full on May 15, 2038. "Acceleration Event" means either (i) all Issuer Funding Obligations are declared due and payable in accordance with the provisions of the MTI, or (ii) the outstanding principal amount of the Series 2018-2 Senior Notes and all interest thereon is declared due and payable in accordance with the MTI as a result of the occurrence of certain events of default.
Issue Price	C$1,000.02 per C$1,000 principal amount of Series 2018-2 Senior Notes
Fees	See Schedule D under the heading "Fees"
Term to Maturity	20 years
Amortization	Subject to the occurrence of an Acceleration Event, the outstanding principal amount of the Series 2018-2 Senior Notes shall be due and payable on May 15, 2038. Following the occurrence of an Amortization Event, each Payment Date thereafter shall be a Principal Payment Date (as defined in the MTI) in respect of the Series 2018-2 Senior Notes and the then outstanding principal amount of the Series 2018-2 Senior Notes shall be due and payable on each such Payment Date. A failure to pay principal on May 15, 2038 for the Series 2018-2 Senior Notes will constitute an event of default upon the occurrence of which the holders of Series 2018-2 Senior Notes may declare the outstanding principal and all accrued and unpaid interest on the Series 2018-2 Senior Notes to be immediately due and payable. Subject to the occurrence of an Amortization Event, the Series 2018-2 Senior Notes shall have the Principal Accumulation Amounts for the Payment Dates specified in Appendix I hereto.
Extension	N/A
Redemption	The Series 2018-2 Senior Notes will be redeemable at the option of the Issuer, in whole or in part, at any time and from time to time, on not less than 15 nor more than 60 days' notice at the redemption price specified below. At any time prior to the Par Call Date (as defined below), the redemption price will be equal to the greater of (i) the Series 2018-2 Canada Yield Price (as defined below) and (ii) par, plus, in each case, accrued and unpaid interest to, but not including, the date of redemption. On or after the Par Call Date, the redemption price will be equal to par, plus accrued and unpaid interest to, but not including, the date of redemption. "Par Call Date" means November 15, 2037. "Series 2018-2 Canada Yield Price" means a price equal to the price of the Series 2018-2 Senior Notes calculated to provide a yield to the Par Call Date, compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, equal to the Government of Canada Yield (as defined below) calculated at 10:00 a.m. (Toronto time) on the third business day preceding the date of redemption, plus 0.265% per annum. "Government of Canada Yield" on any date means, in respect of the Series 2018-2 Senior Notes being redeemed, the yield from the redemption date to the Par Call Date compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on such date with a term to maturity equal to the remaining term to the Par Call Date (calculated from the date of redemption), such yield being the average of the yields provided by two major Canadian investment dealers specified by the Issuer.

APPENDIX 1

PRINCIPAL ACCUMULATION AMOUNTS AND PAYMENT DATES

Payment Date	Principal Accumulation Amount
June 15, 2037	C$33,333,333.33
July 15, 2037	C$33,333,333.33
August 15, 2037	C$33,333,333.33
September 15, 2037	C$33,333,333.33
October 15, 2037	C$33,333,333.33
November 15, 2037	C$33,333,333.33
December 15, 2037	C$33,333,333.33
January 15, 2038	C$33,333,333.33
February 15, 2038	C$33,333,333.33
March 15, 2038	C$33,333,333.33
April 15, 2038	C$33,333,333.33
May 15, 2038	C$33,333,333.37

SCHEDULE B

SERIES 2018-2 SUBORDINATED NOTES TERM SHEET	
Principal Amount	Unlimited but initially C$305,882,000
Interest Rate	3.834% per annum (the "**Series 2018-2 Subordinated Interest Rate**")
Interest Payments	The "**Interest Payment Dates**" for the Series 2018-2 Subordinated Notes are as follows: (i) prior to the occurrence of an Amortization Event (as defined below), interest on the Series 2018-2 Subordinated Notes shall be payable in equal semi-annual instalments (except the first interest payment) in arrears on May 15 and November 15 of each year, commencing May 15, 2018 (short first coupon); and (ii) following the occurrence of an Amortization Event, interest will be payable in arrears on the outstanding principal amount of the Series 2018-2 Subordinated Notes on each Payment Date (as defined in the Master Trust Indenture dated December 21, 2017 between the Issuer and BNY Trust Company of Canada, as supplemented (the "**MTI**")) thereafter at a rate equal to the monthly equivalent of the Series 2018-2 Subordinated Interest Rate; that is, the interest rate that, when compounded monthly for six months on a stated outstanding principal amount, yields interest in an amount equal to the Series 2018-2 Subordinated Interest Rate, multiplied by such outstanding principal amount and divided by two. The first interest payment on the Series 2018-2 Subordinated Notes will include accrued and unpaid interest for the period from, and including, April 24, 2018 to, but excluding, the first Interest Payment Date. Subject to the occurrence of an Acceleration Event (as defined below), the first interest payment will be in an amount equal to C$2.20586301 per C$1,000 principal amount of Series 2018-2 Subordinated Notes. "**Amortization Event**" means either an Acceleration Event has occurred with respect to the Series 2018-2 Subordinated Notes, or the outstanding principal amount of the Series 2018-2 Subordinated Notes has not been paid in full on May 15, 2038. "**Acceleration Event**" means either (i) all Issuer Funding Obligations are declared due and payable in accordance with the provisions of the MTI, or (ii) the outstanding principal amount of the Series 2018-2 Subordinated Notes and all interest thereon is declared due and payable in accordance with the MTI as a result of the occurrence of certain events of default.
Issue Price	C$1,000 per C$1,000 principal amount of Series 2018-2 Subordinated Notes
Fees	N/A
Term to Maturity	20 years
Amortization	Subject to the occurrence of an Acceleration Event, the outstanding principal amount of the Series 2018-2 Subordinated Notes shall be due and payable on May 15, 2038. Following the occurrence of an Amortization Event, each Payment Date thereafter shall be a Principal Payment Date (as defined in the MTI) in respect of the Series 2018-2 Subordinated Notes and the then outstanding principal amount of the Series 2018-2 Subordinated Notes shall be due and payable on each such Payment Date. A failure to pay principal on May 15, 2038 for the Series 2018-2 Subordinated Notes will constitute an event of default upon the occurrence of which the holders of Series 2018-2 Subordinated Notes may declare the outstanding principal and all accrued and unpaid interest on the Series 2018-2 Subordinated Notes to be immediately due and payable. Subject to the occurrence of an Amortization Event, the Series 2018-2 Subordinated Notes shall have the Principal Accumulation Amounts for the Payment Dates specified in Appendix 2 hereto.
Extension	N/A
Redemption	The Series 2018-2 Subordinated Notes will be redeemable at the option of the Issuer, in whole or in part, at any time and from time to time, on not less than 15 nor more than 60 days' notice at the redemption price specified below. At any time prior to the Par Call Date (as defined below), the redemption price will be equal to the greater of (i) the Series 2018-2 Canada Yield Price (as defined below) and (ii) par, plus, in each case, accrued and unpaid interest to, but not including, the date of redemption. On or after the Par Call Date, the redemption price will be equal to par, plus accrued and unpaid interest to, but not including, the date of redemption. "**Par Call Date**" means November 15, 2037. "**Series 2018-2 Canada Yield Price**" means a price equal to the price of the Series 2018-2 Subordinated Notes calculated to provide a yield to the Par Call Date, compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, equal to the Government of Canada Yield (as defined below) calculated at 10:00 a.m. (Toronto time) on the third business day preceding the date of redemption, plus 0.345% per annum. "**Government of Canada Yield**" on any date means, in respect of the Series 2018-2 Subordinated Notes being redeemed, the yield from the redemption date to the Par Call Date compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on such date with a term to maturity equal to the remaining term to the Par Call Date (calculated from the date of redemption), such yield being the average of the yields provided by two major Canadian investment dealers specified by the Issuer.

APPENDIX 2

PRINCIPAL ACCUMULATION AMOUNTS AND PAYMENT DATES

Payment Date	Principal Accumulation Amount
June 15, 2037	C$25,490,166.67
July 15, 2037	C$25,490,166.67
August 15, 2037	C$25,490,166.67
September 15, 2037	C$25,490,166.67
October 15, 2037	C$25,490,166.67
November 15, 2037	C$25,490,166.67
December 15, 2037	C$25,490,166.67
January 15, 2038	C$25,490,166.67
February 15, 2038	C$25,490,166.67
March 15, 2038	C$25,490,166.67
April 15, 2038	C$25,490,166.67
May 15, 2038	C$25,490,166.63

SCHEDULE C

SERIES 2018-2 JUNIOR SUBORDINATED NOTES TERM SHEET	
Principal Amount	Unlimited but initially C$78,431,000
Interest Rate	4.214% per annum (the "Series 2018-2 Junior Subordinated Interest Rate")
Interest Payments	The "Interest Payment Dates" for the Series 2018-2 Junior Subordinated Notes are as follows: (i) prior to the occurrence of an Amortization Event (as defined below), interest on the Series 2018-2 Junior Subordinated Notes shall be payable in equal semi-annual instalments (except the first interest payment) in arrears on May 15 and November 15 of each year, commencing May 15, 2018 (short first coupon); and (ii) following the occurrence of an Amortization Event, interest will be payable in arrears on the outstanding principal amount of the Series 2018-2 Junior Subordinated Notes on each Payment Date (as defined in the Master Trust Indenture dated December 21, 2017 between the Issuer and BNY Trust Company of Canada, as supplemented (the "MTI")) thereafter at a rate equal to the monthly equivalent of the Series 2018-2 Junior Subordinated Interest Rate; that is, the interest rate that, when compounded monthly for six months on a stated outstanding principal amount, yields interest in an amount equal to the Series 2018-2 Junior Subordinated Interest Rate, multiplied by such outstanding principal amount and divided by two. The first interest payment on the Series 2018-2 Junior Subordinated Notes will include accrued and unpaid interest for the period from, and including, April 24, 2018 to, but excluding, the first Interest Payment Date. Subject to the occurrence of an Acceleration Event (as defined below), the first interest payment will be in an amount equal to C$2.424493.15 per C$1,000 principal amount of Series 2018-2 Junior Subordinated Notes. "Amortization Event" means either an Acceleration Event has occurred with respect to the Series 2018-2 Junior Subordinated Notes, or the outstanding principal amount of the Series 2018-2 Junior Subordinated Notes has not been paid in full on May 15, 2038. "Acceleration Event" means either (i) all Issuer Funding Obligations are declared due and payable in accordance with the provisions of the MTI, or (ii) the outstanding principal amount of the Series 2018-2 Junior Subordinated Notes and all interest thereon is declared due and payable in accordance with the MTI as a result of the occurrence of certain events of default.
Issue Price	C$1,000 per C$1,000 principal amount of Series 2018-2 Junior Subordinated Notes
Fees	N/A
Term to Maturity	20 years
Amortization	Subject to the occurrence of an Acceleration Event, the outstanding principal amount of the Series 2018-2 Junior Subordinated Notes shall be due and payable on May 15, 2038. Following the occurrence of an Amortization Event, each Payment Date thereafter shall be a Principal Payment Date (as defined in the MTI) in respect of the Series 2018-2 Junior Subordinated Notes and the then outstanding principal amount of the Series 2018-2 Junior Subordinated Notes shall be due and payable on each such Payment Date. A failure to pay principal on May 15, 2038 for the Series 2018-2 Junior Subordinated Notes will constitute an event of default upon the occurrence of which the holders of Series 2018-2 Junior Subordinated Notes may declare the outstanding principal and all accrued and unpaid interest on the Series 2018-2 Junior Subordinated Notes to be immediately due and payable. Subject to the occurrence of an Amortization Event, the Series 2018-2 Junior Subordinated Notes shall have the Principal Accumulation Amounts for the Payment Dates specified in Appendix 3 hereto.
Extension	N/A
Redemption	The Series 2018-2 Junior Subordinated Notes will be redeemable at the option of the Issuer, in whole or in part, at any time and from time to time, on not less than 15 nor more than 60 days' notice at the redemption price specified below. At any time prior to the Par Call Date (as defined below), the redemption price will be equal to the greater of (i) the Series 2018-2 Canada Yield Price (as defined below) and (ii) par, plus, in each case, accrued and unpaid interest to, but not including, the date of redemption. On or after the Par Call Date, the redemption price will be equal to par, plus accrued and unpaid interest to, but not including, the date of redemption. "Par Call Date" means November 15, 2037. "Series 2018-2 Canada Yield Price" means a price equal to the price of the Series 2018-2 Junior Subordinated Notes calculated to provide a yield to the Par Call Date, compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, equal to the Government of Canada Yield (as defined below) calculated at 10:00 a.m. (Toronto time) on the third business day preceding the date of redemption, plus 0.440% per annum. "Government of Canada Yield" on any date means, in respect of the Series 2018-2 Junior Subordinated Notes being redeemed, the yield from the redemption date to the Par Call Date compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on such date with a term to maturity equal to the remaining term to the Par Call Date (calculated from the date of redemption), such yield being the average of the yields provided by two major Canadian investment dealers specified by the Issuer.

APPENDIX 3

PRINCIPAL ACCUMULATION AMOUNTS AND PAYMENT DATES

Payment Date	Principal Accumulation Amount
June 15, 2037	C$6,535,916.67
July 15, 2037	C$6,535,916.67
August 15, 2037	C$6,535,916.67
September 15, 2037	C$6,535,916.67
October 15, 2037	C$6,535,916.67
November 15, 2037	C$6,535,916.67
December 15, 2037	C$6,535,916.67
January 15, 2038	C$6,535,916.67
February 15, 2038	C$6,535,916.67
March 15, 2038	C$6,535,916.67
April 15, 2038	C$6,535,916.67
May 15, 2038	C$6,535,916.63

SCHEDULE D

AGENCY AGREEMENT TERMS	
Appointment	The Issuer appoints the Agents to act as its sole and exclusive agents to effect the solicitation and private placement of Series 2018-2 Senior Notes to "accredited investors", as such term is defined under applicable securities laws, in the Provinces of Canada (the "Offering").
Fees	In consideration of the services provided to the Issuer by the Agents, the Issuer agrees to pay the Agents a fee equal to 0.55% of the aggregate principal amount of Series 2018-2 Senior Notes sold in the Offering.
Representations and Warranties	Representations and warranties in favour of the Agents from each of the Issuer and OPG customary for a private placement of notes, including representations that the disclosure document used in connection with the Offering does not contain a "misrepresentation", as such term is defined under applicable securities laws.
Conditions to Closing	As conditions to the closing of the Offering, the Issuer must provide, or arrange to have provided, certain standard certificates, legal opinions and other deliverables to the Agents.
Termination	The Agents have customary rights to terminate their obligations on the occurrence of certain events, including legal or other proceedings resulting in a material adverse change, a material adverse change in respect of the Issuer and financial disasters.
Indemnity	Each of the Issuer and OPG provides an indemnity to each of the Agents for any losses resulting from, among other things, breaches of representations, warranties and covenants, breaches of securities laws or a "misrepresentation" in the disclosure document used in connection with the Offering.

SPECIAL PRINCIPAL PAYMENT DATE AGREEMENT (2018-2)
(Senior Warehouse Supplemental Indenture)

Reference is made to:

(a) the Trust Indenture dated as of December 21, 2017 (the "**Trust Indenture**") between Computershare Trust Company of Canada in its capacity as trustee of Fair Hydro Trust and BNY Trust Company of Canada, as indenture trustee;

(b) the Warehouse Senior Series 2017-1 Supplemental Indenture (the "**Senior Warehouse Supplemental Indenture**") made as of December 21, 2017 between the undersigned signatories to this Special Principal Payment Date Agreement;

(c) an expected issuance on or about April 24, 2018 of Senior Notes bearing the full designation "3.52% Senior Notes due May 15, 2038, Series 2018-2" pursuant to a new Supplemental Indenture to be entered into (the "**Expected Term Issuance**").

Terms with initial capital letters in this Special Principal Payment Date Agreement have the meanings given to them in, or for the purposes of, the Senior Warehouse Supplemental Indenture and the Trust Indenture.

The undersigned hereby agree as follows:

1. Notwithstanding the terms of the Senior Warehouse Supplemental Indenture, the date of issuance of the Senior Notes pursuant to the Expected Term Issuance (the "**Special Principal Payment Date**") will be a Principal Payment Date and a Decrease Date as such terms are defined under, and for the purposes of, the Senior Warehouse Supplemental Indenture.

2. Each of the Principal Payment Amount and the Decrease Amount for such Special Principal Payment Date shall be $400,000,000.

3. Proceeds of the Expected Term Issuance will be applied pursuant to the provisions of the Trust Indenture and the Senior Warehouse Supplemental Indenture to the payment of the Principal Payment Amount.

4. For greater certainty, it is acknowledged that the Special Principal Payment Date will not be an Interest Payment Date under the Senior Warehouse Supplemental Indenture and that accrued interest in respect of the principal amount of the Series 2017-1 Senior Notes repaid on the Special Principal Payment Date will be paid on the next Payment Date.

5. Notwithstanding Section 3.4(a) of the Senior Warehouse Supplemental Indenture, the Decrease Notice in respect of the Decrease occurring on the Special Principal Payment Date may be delivered no later than the second Business Day prior to the Special Principal Payment Date.

6. This Special Principal Payment Date Agreement applies only to the proceeds of the Expected Term Issuance and shall not be relied upon to complete any other repayment of principal of Series 2017-1 Senior Notes. If the Special Principal Payment Date has not

occurred by May 15, 2018 this Special Principal Payment Date Agreement shall cease to be of any force and effect.

7. Except as modified hereby, the provisions of the Senior Warehouse Supplemental Indenture remain in full force and effect unamended.

8. Each Series 2017-1 Senior Noteholder acknowledges and consents to the foregoing and directs the Indenture Trustee to enter into this Special Principal Payment Date Agreement.

[Signature Page Follows]

DATED this 20th day of April, 2018.

COMPUTERSHARE TRUST COMPANY OF CANADA, in its capacity as trustee of FAIR HYDRO TRUST, as Issuer by ONTARIO POWER GENERATION INC., not in its individual capacity but solely as Manager

By: _____
Name: Ken Hartwick
Title: Chief Financial Officer and Senior Vice President

By: _____
Name: John Lee
Title: Vice President – Treasurer

[Signature page to Special Principal Payment Date Agreement (2018-2) – Senior Warehouse]

S-2

BNY TRUST COMPANY OF CANADA, as Indenture Trustee

By: _____
Name: Ahmad Adam
Title: Vice-President

[Signature page to Special Principal Payment Date Agreement (2018-2) – Senior Warehouse]

ROYAL BANK OF CANADA, as Administrative Agent

By: _____
Name: Ian Benaiah
Title: Authorized Signatory

By: _____
Name:
Title: NUR KHAN
MANAGING DIRECTOR

CIBC MELLON TRUST COMPANY, in its capacity as trustee of **LAKESHORE TRUST**, by its Financial Services Agent, **ROYAL BANK OF CANADA**, as a CP Conduit Purchaser

By: _____
Name: Ian Benaiah
Title: Authorized Signatory

By: _____
Name:
Title: NUR KHAN
MANAGING DIRECTOR

ROYAL BANK OF CANADA, as a Group Bank

By: _____
Name: Ian Benaiah
Title: Authorized Signatory

By: _____
Name:
Title: NUR KHAN
MANAGING DIRECTOR

S-4

CANADIAN IMPERIAL BANK OF COMMERCE, as a Group Bank

By: _____
Name: Andrew Maciel
Title: Authorized Signatory

By: _____
Name: Sunil Adalja
Title: Authorized Signatory

COMPUTERSHARE TRUST COMPANY OF CANADA, in its capacity as trustee of **SOUND TRUST**, by its Financial Services Agent, **CANADIAN IMPERIAL BANK OF COMMERCE**, as a CP Conduit Purchaser

By: _____
Name: Andrew Maciel
Title: Authorized Signatory

By: _____
Name: Sunil Adalja
Title: Authorized Signatory

COMPUTERSHARE TRUST COMPANY OF CANADA, in its capacity as trustee of **SURE TRUST**, by its Financial Services Agent, **CANADIAN IMPERIAL BANK OF COMMERCE**, as a CP Conduit Purchaser

By: _____
Name: Andrew Maciel
Title: Authorized Signatory

By: _____
Name: Sunil Adalja
Title: Authorized Signatory

S-5

GOLDMAN SACHS BANK USA,
as a Non-Conduit Purchaser

By: _____
Name: Charles D. Johnston
Title: Authorized Signatory

By: _____
Name:
Title:

[Signature page to Special Principal Payment Date Agreement (2018-2) – Senior Warehouse]

SPECIAL PRINCIPAL PAYMENT DATE AGREEMENT (2018-2)
(Subordinated Warehouse Supplemental Indenture)

Reference is made to:

(a) the Trust Indenture dated as of December 21, 2017 (the "**Trust Indenture**") between Computershare Trust Company of Canada in its capacity as trustee of Fair Hydro Trust and BNY Trust Company of Canada, as indenture trustee;

(b) the Warehouse Subordinated Series 2017-1 Supplemental Indenture (the "**Subordinated Warehouse Supplemental Indenture**") made as of December 21, 2017 between the undersigned signatories to this Special Principal Payment Date Agreement;

(c) an expected issuance on or about April 24, 2018 of Subordinated Notes bearing the full designation "3.834% Subordinated Notes due May 15, 2038, Series 2018-2" pursuant to a new Supplemental Indenture to be entered into (the "**Expected Term Issuance**").

Terms with initial capital letters in this Special Principal Payment Date Agreement have the meanings given to them in, or for the purposes of, the Senior Warehouse Supplemental Indenture and the Trust Indenture.

The undersigned hereby agree as follows:

1. Notwithstanding the terms of the Subordinated Warehouse Supplemental Indenture, the date of issuance of the Subordinated Notes pursuant to the Expected Term Issuance (the "**Special Principal Payment Date**") will be a Principal Payment Date and a Decrease Date as such terms are defined under, and for the purposes of, the Subordinated Warehouse Supplemental Indenture.

2. Each of the Principal Payment Amount and the Decrease Amount for such Special Principal Payment Date shall be $305,882,000.

3. Proceeds of the Expected Term Issuance will be applied pursuant to the provisions of the Trust Indenture and the Subordinated Warehouse Supplemental Indenture to the payment of the Principal Payment Amount.

4. For greater certainty, it is acknowledged that the Special Principal Payment Date will not be an Interest Payment Date under the Subordinated Warehouse Supplemental Indenture and that accrued interest in respect of the principal amount of the Series 2017-1 Subordinated Notes repaid on the Special Principal Payment Date will be paid on the next Payment Date.

5. Notwithstanding Section 3.4 of the Subordinated Warehouse Supplemental Indenture, the Decrease Notice in respect of the Decrease occurring on the Special Principal Payment Date may be delivered no later than the second Business Day prior to the Special Principal Payment Date.

6. This Special Principal Payment Date Agreement applies only to the proceeds of the Expected Term Issuance and shall not be relied upon to complete any other repayment of principal of Series 2017-1 Subordinated Notes. If the Special Principal Payment Date has not occurred by May 15, 2018 this Special Principal Payment Date Agreement shall cease to be of any force and effect.

7. Except as modified hereby, the provisions of the Subordinated Warehouse Supplemental Indenture remain in full force and effect unamended.

8. Ontario Power Generation Inc. acknowledges and consents to the foregoing and directs the Indenture Trustee to enter into this Special Principal Payment Date Agreement.

[Signature Page Follows]

DATED this 20th day of April, 2018.

COMPUTERSHARE TRUST COMPANY OF CANADA, in its capacity as trustee of FAIR HYDRO TRUST, as Issuer by ONTARIO POWER GENERATION INC., not in its individual capacity but solely as Manager

By: _____
Name: Ken Hartwick
Title: Chief Financial Officer and Senior Vice President

By: _____
Name: John Lee
Title: Vice President - Treasurer

[Signature page to Special Principal Payment Date Agreement (2018-2) – Subordinated Warehouse]

BNY TRUST COMPANY OF CANADA, as Indenture Trustee

By: 

Name: Ahmad Adam
Title: Vice-President

[Signature page to Special Principal Payment Date Agreement (2018-2) – Subordinated Warehouse]

ONTARIO POWER GENERATION INC.

By: _____
Name: Ken Hartwick
Title: Chief Financial Officer and
Senior Vice President

By: _____
Name: John Lee
Title: Vice President – Treasurer

[Signature page to Special Principal Payment Date Agreement (2018-2) – Subordinated Warehouse]

SPECIAL PRINCIPAL PAYMENT DATE AGREEMENT (2018-2)
(Junior Subordinated Warehouse Supplemental Indenture)

Reference is made to:

(a) the Trust Indenture dated as of December 21, 2017 (the "**Trust Indenture**") between Computershare Trust Company of Canada in its capacity as trustee of Fair Hydro Trust and BNY Trust Company of Canada, as indenture trustee;

(b) the Warehouse Junior Subordinated Series 2017-1 Supplemental Indenture (the "**Junior Subordinated Warehouse Supplemental Indenture**") made as of December 21, 2017 between the undersigned signatories to this Special Principal Payment Date Agreement;

(c) an expected issuance on or about April 24, 2018 of Junior Subordinated Notes bearing the full designation "4.214% Junior Subordinated Notes due May 15, 2033, Series 2018-1" pursuant to a new Supplemental Indenture to be entered into (the "**Expected Term Issuance**").

Terms with initial capital letters in this Special Principal Payment Date Agreement have the meanings given to them in, or for the purposes of, the Senior Warehouse Supplemental Indenture and the Trust Indenture.

The undersigned hereby agree as follows:

1. Notwithstanding the terms of the Junior Subordinated Warehouse Supplemental Indenture, the date of issuance of the Junior Subordinated Notes pursuant to the Expected Term Issuance (the "**Special Principal Payment Date**") will be a Principal Payment Date and a Decrease Date as such terms are defined under, and for the purposes of, the Junior Subordinated Warehouse Supplemental Indenture.

2. Each of the Principal Payment Amount and the Decrease Amount for such Special Principal Payment Date shall be $78,431,000.

3. Proceeds of the Expected Term Issuance will be applied pursuant to the provisions of the Trust Indenture and the Junior Subordinated Warehouse Supplemental Indenture to the payment of the Principal Payment Amount.

4. For greater certainty, it is acknowledged that the Special Principal Payment Date will not be an Interest Payment Date under the Junior Subordinated Warehouse Supplemental Indenture and that accrued interest in respect of the principal amount of the Series 2017-1 Junior Subordinated Notes repaid on the Special Principal Payment Date will be paid on the next Payment Date.

5. Notwithstanding Section 3.4 of the Junior Subordinated Warehouse Supplemental Indenture, the Decrease Notice in respect of the Decrease occurring on the Special Principal Payment Date may be delivered no later than the second Business Day prior to the Special Principal Payment Date.

6. This Special Principal Payment Date Agreement applies only to the proceeds of the Expected Term Issuance and shall not be relied upon to complete any other repayment of principal of Series 2017-1 Junior Subordinated Notes. If the Special Principal Payment Date has not occurred by May 15, 2018 this Special Principal Payment Date Agreement shall cease to be of any force and effect.

7. Except as modified hereby, the provisions of the Junior Subordinated Warehouse Supplemental Indenture remain in full force and effect unamended.

8. Ontario Power Generation Inc. acknowledges and consents to the foregoing and directs the Indenture Trustee to enter into this Special Principal Payment Date Agreement.

[Signature Page Follows]

DATED this 20th day of April, 2018.

COMPUTERSHARE TRUST COMPANY OF CANADA, in its capacity as trustee of FAIR HYDRO TRUST, as Issuer by ONTARIO POWER GENERATION INC., not in its individual capacity but solely as Manager

By: _____
Name: Ken Hartwick
Title: Chief Financial Officer and Senior Vice President

By: _____
Name: John Lee
Title: Vice President - Treasurer

BNY TRUST COMPANY OF CANADA, as Indenture Trustee

By: 

Name: Ahmad Adam
Title: Vice-President

[Signature page to Special Principal Payment Date Agreement(2018-2) – Junior Subordinated Warehouse]

ONTARIO POWER GENERATION INC.

By: _____
Name: Ken Hartwick
Title: Chief Financial Officer and Senior Vice President

By: _____
Name: John Lee
Title: Vice President – Treasurer

[Signature page to Special Principal Payment Date Agreement (2018-2) – Junior Subordinated Warehouse]

From: John Kim
To: Shajee Kathirgamanathan
Subject: Re: Debt Funding - Tracking Sheet_v2.xlsx
Date: Thursday, May 31, 2018 11:49:45 AM

Thanks, could you save the backup in the folder, if not done already?

Sent from my iPad

On May 31, 2018, at 11:43 AM, Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca> wrote:

> Yes, it's CFB's coop.
>
> **Shajee Kathirgamanathan**
> Office: 416-325-1402 | Mobile: 647-294-3359
> shajee.kathirgamanathan@ofina.on.ca
>
> ---
>
> **From:** John Kim
> **Sent:** Thursday, May 31, 2018 11:36 AM
> **To:** Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
> **Subject:** RE: Debt Funding - Tracking Sheet_v2.xlsx
>
> You know the source data for the 10 and 20 yr rates? Is that CFB coop's daily update or was there other sources?
>
> ---
>
> **From:** Shajee Kathirgamanathan
> **Sent:** Thursday, May 31, 2018 9:48 AM
> **To:** John Kim <John.Kim@ofina.on.ca>
> **Subject:** RE: Debt Funding - Tracking Sheet_v2.xlsx
>
> Hi John,
>
> I finished up the Interest Rate Comparisons and revised the information in the 'Green table' on Tab 1.
>
> Two revisions I made:
>
> - <!--[if !supportLists]--><!--[endif]-->I added the rate with commission
> - <!--[if !supportLists]--><!--[endif]-->I added a rate representative of the maturity. However we don't have 15 yr rates for the first issue so just used a simple average.
>
> Happy to omit one or two of the columns in the green table.
>
> File saved here:
> S:\Users\CEF\Hydro 2018\Fair Hydro Plan\FHT Funding

Thanks,
Shajee

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Wednesday, May 30, 2018 1:48 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

When you're done with the decks, let me know and we can chat about this. I have a couple of things I want to validate

---

From: Shajee Kathirgamanathan
Sent: Wednesday, May 30, 2018 1:48 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

Sure. I think the 3rd tab might be fine, but can reach out to Carlos about updating the 2nd tab's info.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Wednesday, May 30, 2018 1:35 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

Could we work to finish the 2nd and 3rd tabs?

From: Shajee Kathirgamanathan
Sent: Wednesday, May 30, 2018 1:34 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

Just took a quick look. The 2nd and 3rd tabs were more like a work in progress and nice to haves. I think we were trying to keep track of the state of the warehouse facility (Eg new debt taken on, less debt issued), but I think we were waiting on Carlos' email to provide confirmation. It doesn't seem like it was provided for the April debt issue.

The First tab however is supposed to be maintained, and up-to-date though. Hope there's no issues there.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Wednesday, May 30, 2018 1:30 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: Debt Funding - Tracking Sheet_v2.xlsx

When you're done with the decks, I would like you to take a look at this. See if it looks okay to you. I have some questions on the second and third tabs.

From: John Kim
To: Shajee Kathirgamanathan
Subject: Re: Debt Funding - Tracking Sheet_v2.xlsx
Date: Thursday, May 31, 2018 11:52:31 AM

The link didn't work....will try again

Sent from my iPad

On May 31, 2018, at 11:50 AM, Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca> wrote:

> It's there. There should be links in the file
>
> **Shajee Kathirgamanathan**
> Office: 416-325-1402 | Mobile: 647-294-3359
> shajee.kathirgamanathan@ofina.on.ca
>
> ---
>
> **From:** John Kim
> **Sent:** Thursday, May 31, 2018 11:50 AM
> **To:** Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
> **Subject:** Re: Debt Funding - Tracking Sheet_v2.xlsx
>
> Thanks, could you save the backup in the folder, if not done already?
>
> Sent from my iPad
>
> On May 31, 2018, at 11:43 AM, Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca> wrote:
>
> > Yes, it's CFB's coop.
> >
> > **Shajee Kathirgamanathan**
> > Office: 416-325-1402 | Mobile: 647-294-3359
> > shajee.kathirgamanathan@ofina.on.ca
> >
> > ---
> >
> > **From:** John Kim
> > **Sent:** Thursday, May 31, 2018 11:36 AM
> > **To:** Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
> > **Subject:** RE: Debt Funding - Tracking Sheet_v2.xlsx
> >
> > You know the source data for the 10 and 20 yr rates? Is that CFB coop's daily update or was there other sources?
> >
> > ---
> >
> > **From:** Shajee Kathirgamanathan
> > **Sent:** Thursday, May 31, 2018 9:48 AM

To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

Hi John,

I finished up the Interest Rate Comparisons and revised the information in the 'Green table' on Tab 1.

Two revisions I made:

- <!--[if !supportLists]--><!--[endif]-->I added the rate with commission
- <!--[if !supportLists]--><!--[endif]-->I added a rate representative of the maturity. However we don't have 15 yr rates for the first issue so just used a simple average.

Happy to omit one or two of the columns in the green table.

File saved here:
S:\Users\CEF\Hydro 2018\Fair Hydro Plan\FHT Funding

Thanks,
Shajee

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Wednesday, May 30, 2018 1:48 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

When you're done with the decks, let me know and we can chat about this. I have a couple of things I want to validate

---

From: Shajee Kathirgamanathan
Sent: Wednesday, May 30, 2018 1:48 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

Sure. I think the 3rd tab might be fine, but can reach out to Carlos about updating the 2nd tab's info.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359

shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Wednesday, May 30, 2018 1:35 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

Could we work to finish the 2nd and 3rd tabs?

From: Shajee Kathirgamanathan
Sent: Wednesday, May 30, 2018 1:34 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: Debt Funding - Tracking Sheet_v2.xlsx

Just took a quick look. The 2nd and 3rd tabs were more like a work in progress and nice to haves. I think we were trying to keep track of the state of the warehouse facility (Eg new debt taken on, less debt issued), but I think we were waiting on Carlos' email to provide confirmation. It doesn't seem like it was provided for the April debt issue.

The First tab however is supposed to be maintained, and up-to-date though. Hope there's no issues there.

Shajee Kathirgamanathan
Office: 416-325-1402 | Mobile: 647-294-3359
shajee.kathirgamanathan@ofina.on.ca

From: John Kim
Sent: Wednesday, May 30, 2018 1:30 PM
To: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: Debt Funding - Tracking Sheet_v2.xlsx

When you're done with the decks, I would like you to take a look at this. See if it looks okay to you. I have some questions on the second and third tabs.

From: John Kim
To: Ronald Kwan
Subject: Re: Draft Fair Hydro Investor Presentation.
Date: Wednesday, January 03, 2018 5:44:56 PM

I am not sure who the questions are for, almost to Energy? Will send the consolidated soon.

Sent from my iPhone

On Jan 3, 2018, at 4:58 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Hi John,
>
> Could we consolidate with ours as is, and then send and let OPG and energy sort it out? Or are they questions to us?
>
> Ron
>
> On Jan 3, 2018, at 4:56 PM, John Kim <John.Kim@ofina.on.ca> wrote:
>
> > Hi Ron,
> >
> > This will take a bit more time….as some comments/questions from LSB, we don't have immediate answers to.
> >
> > Thanks,
> >
> > John
> >
> > ---
> >
> > **From:** Ronald Kwan
> > **Sent:** Wednesday, January 03, 2018 4:00 PM
> > **To:** John Kim <John.Kim@ofina.on.ca>
> > **Subject:** Fwd: Draft Fair Hydro Investor Presentation.
> >
> > Hi John,
> >
> > Please review and consolidate comments.
> >
> > Thanks,
> > Ron
> >
> > Begin forwarded message:
> >
> > > **From:** "Whitfield, Tobias P. (MOF)" <Tobias.Whitfield@ontario.ca>
> > > **Date:** January 3, 2018 at 3:46:58 PM EST

To: "Kwan, Ronald (OFA)" <Ronald.Kwan@ofina.on.ca>, "Hanslep, Malle (MOF)" <Malle.Hanslep@ontario.ca>
Cc: "Kandeepan, Ken (OFA)" <Ken.Kandeepan@ofina.on.ca>, "Manning, Mike (OFA)" <Mike.Manning@ofina.on.ca>
Subject: RE: Draft Fair Hydro Investor Presentation.

Ron,

Please find attached our comments on the investor presentation deck. We have added our comments in track changes to the word document with the other comments.

Mike and Ken, we are also wondering if you have heard anything new about the timing of the term deal and whether there are any documents that have been circulated that we can start to look at.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: January 3, 2018 2:28 AM
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF)
Subject: FW: Draft Fair Hydro Investor Presentation.

Hi Malle, Toby,

Apologies for the short notice, if you have not been looped in earlier. I got the attached from Energy yesterday. OPG is looking for comments ASAP. Would you be able to review and provide any comments for EOD Wednesday?

Also attached is Energy's comments on the deck, with a few preliminary additions added in red. Mike and Ken are also reviewing and said they'd provide comments on Wednesday.

Thanks, and a Happy New Year to you both.

Ron

From: Christie, Tim (ENERGY)
[mailto:Tim.Christie@ontario.ca]
Sent: January-02-18 11:39 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: Draft Fair Hydro Investor Presentation.

Hi Ron, here's the presentation. They're looking for comments this week.

Tim

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: December-21-17 5:33 PM
To: Christie, Tim (ENERGY)
Cc: Manning, Mike (OFA); Kandeepan, Ken (OFA); LAURETA LAPIRA May -TREASURY; LADAK Lubna -TREASURY; RYFA Ken -TREASURY; Talwar, Shruti (ENERGY); HAHN PARKER Janet -TREASURY
Subject: Draft Fair Hydro Investor Presentation.

Tim:

As discussed attached is the most current draft of the Investor Presentation. If you or the MOE or OFA have any comments please let us know.

The plan is to have another turn of the document in the 1st week in January. May will have the "pen" from our side.

Have a Merry Christmas.

John

John Lee | Vice President Treasurer |
Ontario Power Generation | 700 University Avenue, H18 A6, Toronto, Ontario M5G 1X6 |
416.592.6392 | john.s.lee@opg.com

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review,

retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: John Kim
To: Ronald Kwan
Cc: Usman Zahid
Subject: Re: EXTERNAL – Delivery of Reference Documentation to Province
Date: Friday, January 05, 2018 10:59:10 AM

Yes, I am hoping the last renewal ever!

Sent from my iPhone

On Jan 5, 2018, at 10:58 AM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Hi John,
>
> Good luck!
>
> Ron
>
> On Jan 5, 2018, at 10:55 AM, John Kim <John.Kim@ofina.on.ca> wrote:
>
> > Hi Ron,
> >
> > Unfortunately, no….I have an appointment for a mortgage renewal.
> >
> > John
> >
> > ---
> >
> > **From:** Ronald Kwan
> > **Sent:** Friday, January 05, 2018 10:37 AM
> > **To:** John Kim <John.Kim@ofina.on.ca>
> > **Cc:** Usman Zahid <Usman.Zahid@ofina.on.ca>
> > **Subject:** Fwd: EXTERNAL – Delivery of Reference Documentation to Province
> >
> > Hi John,
> >
> > Are you available to attend?
> >
> > Ron
> >
> > Begin forwarded message:
> >
> > **From:** Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
> > **Date:** January 5, 2018 at 10:17:37 AM EST
> > **To:** Mike Manning <Mike.Manning@ofina.on.ca>, "'Thouin, Alena (ENERGY)'" <Alena.Thouin@ontario.ca>, "Tobias P. Whitfield (MOF)" <Tobias.Whitfield@ontario.ca>, "Malle Hanslep (MOF)" <Malle.Hanslep@ontario.ca>, "ASHBOURNE, STEPHEN" <STEPHEN.ASHBOURNE@blakes.com>, Anna Strathy <Anna.Strathy@ofina.on.ca>, Ronald Kwan <Ronald.Kwan@ofina.on.ca>, "Tim Christie (ENERGY)" <Tim.Christie@ontario.ca>
> > **Cc:** "Shannon Jack (MTO)" <Shannon.Jack@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>
> > **Subject: RE: EXTERNAL – Delivery of Reference Documentation to Province**
> >
> > As I discussed with Malle, Cindy's participation on this call will be quite value-added, she is available at 3PM if that works for everyone else. If so can someone pls send out a tele conference invite.
> >
> > Thanks
> >
> > Ken k
> >
> > -----Original Message-----
> > From: Mike Manning
> > Sent: Friday, January 05, 2018 10:08 AM
> > To: 'Thouin, Alena (ENERGY)' <Alena.Thouin@ontario.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; ASHBOURNE, STEPHEN <STEPHEN.ASHBOURNE@blakes.com>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca>
> > Subject: RE: EXTERNAL – Delivery of Reference Documentation to Province
> >
> > Around as well.
> > Mike
> >
> > -----Original Message-----
> > From: Thouin, Alena (ENERGY) [mailto:Alena.Thouin@ontario.ca]
> > Sent: Friday, January 05, 2018 10:03 AM
> > To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; ASHBOURNE, STEPHEN <STEPHEN.ASHBOURNE@blakes.com>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca>
> > Subject: RE: EXTERNAL – Delivery of Reference Documentation to Province
> >
> > I am available as well.
> >
> > After 11:30
> >
> > Adding our Energy policy counterparts.
> >
> > Alena Thouin
> >
> > Deputy Director, Legal Services Branch
> >
> > Ministries of Energy / Infrastructure / Economic Development & Growth /

Research, Innovation & Science / Accessibility

56 Wellesley St. W. 18th Floor, Toronto, ON M7A 2E7

Tel: 416-325-1834 Email: alena.thouin@ontario.ca

This communication may be Solicitor/Client privileged and contain confidential information intended only for the individual or entity named in the message. If the reader of this message is not the intended recipient, or the agent responsible to deliver it to the intended recipient, you are hereby notified that any review, dissemination, distribution or copying of this communication is prohibited. If this communication was received in error, please notify us by reply e-mail and delete the original message. Thank you.

-----Original Message-----

From: Whitfield, Tobias P. (MOF)

Sent: January 5, 2018 9:35 AM

To: Hanslep, Malle (MOF); ASHBOURNE, STEPHEN; Manning, Mike (OFA); Kandeepan, Ken (OFA); Strathy, Anna (OFA); Kwan, Ronald (OFA)

Cc: Thouin, Alena (ENERGY)

Subject: RE: EXTERNAL – Delivery of Reference Documentation to Province

I am available any time this morning.

Tobias Whitfield

Counsel, Legal Services Branch

Ministry of Finance

tobias.whitfield@ontario.ca

Phone: 416-325-1456

-----Original Message-----

From: Hanslep, Malle (MOF)

Sent: January 5, 2018 9:32 AM

To: ASHBOURNE, STEPHEN; Manning, Mike (OFA); Kandeepan, Ken (OFA); Strathy, Anna (OFA); Kwan, Ronald (OFA)

Cc: Thouin, Alena (ENERGY); Whitfield, Tobias P. (MOF)

Subject: RE: EXTERNAL – Delivery of Reference Documentation to Province

All, Should we have a call to discuss the approach here? I am also available this morning. Maybe someone from Energy policy on it as well. Perhaps Alena can advise.

-----Original Message-----

From: ASHBOURNE, STEPHEN [mailto:STEPHEN.ASHBOURNE@blakes.com]

Sent: January-05-18 9:29 AM

To: Hanslep, Malle (MOF); Manning, Mike (OFA); Kandeepan, Ken (OFA); Strathy, Anna (OFA); Kwan, Ronald (OFA)

Cc: Thouin, Alena (ENERGY); Whitfield, Tobias P. (MOF)

Subject: RE: EXTERNAL – Delivery of Reference Documentation to Province

Thanks for the update, Malle.

I'm not sure how this materiality discussion will relate to the Province commenting on the OM. The base form of the OM was not envisioned as of December 20th, and so it is unclear to me that the material effect discussion is relevant for that purpose.

I have been expecting that the Province would be quite involved in the production of the OM, and not just for information purposes.

To illustrate the sorts of items I would anticipate being relevant to the Province in reviewing the OM, I attach a partial mark-up of the Nov 17th OM (the only one we ever saw) to show how (among other things) the narratives included at that time were not aligned with the legislation. The partial mark-up is a comparison to the version circulated by Alena that included James Rehob's comments. Also, as you know, the Change of Law terms were substantially settled after November 17th, and so those portions of the OM will also be quite different.

Generally, the sorts of things I think the Province may be concerned about in reviewing the OM will include:

(a) ensuring that the description of the Protection Agreement is accurate and does not overstate the Province's obligations,

(b) ensuring that the limitations contemplated in s. 40 of OFHPA and s.19 of the General Regulation have been observed,

(c) eliminating any implied/moral undertakings by the Province to bondholders,

(d) scrutinizing any "risk factors", particularly as they might relate to the context in which Protection Events may arise,

(e) confirming any disclosures regarding the Province's (Ministers') roles, including in setting the "fair allocation amount", accepting the "Financing Plan" provided to the Minister of Energy, etc.,

(f) ensuring that any description of the Crown, Crown immunity, the OFHPA, the regulations made under it, the OIC, the authority of the LGIC, the provisions of the Electricity Act and related regulations and processes, the Financing Plan, the electricity market regulatory infrastructure and other relevant legal principles and contexts are all properly and accurately described (recognizing the risk that any statement may be attributed to the Province based on its close proximity to the program, and could become consequential in any future legal process that seeks to interpret the statute),

(g) scrutinizing disclosures that could later become evidence in any legal proceeding that would challenge the validity of the OFHPA and related laws,

(h) confirming any "electricity market" disclosures that could impact on underlying considerations, such as the potential for and impact of off-grid migration and by-pass risks, and

(i) the propriety of disclosures regarding matters that could impact on the pricing or rating of the issued bonds.

(This list was previously included in my November 22nd due diligence note to the Province's lawyer team.)

In addition, the Province will need to confirm how James Rehob's earlier comments have been reflected in the OM.

Given all this and the offering timing described by Torys, I think it makes sense to insist on getting the OM now and confirming with OPG that the Province will be taking a careful look at the document, which will take some time (at least 5 business days), and so that could impact the overall timing.

I will be tied up from 930 to 1030, but then free until 1145.

Regards, Steve

Stephen R. Ashbourne

Partner

stephen.ashbourne@blakes.com

Dir: 416-863-3086

Blake, Cassels & Graydon LLP

199 Bay Street, Suite 4000, Toronto ON M5L 1A9

Tel: 416-863-2400 Fax: 416-863-2653

https://urldefense.proofpoint.com/v2/url?u=http-3A__www.blakes.com&d=DwIGaQ&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=gV-xgZHI0tggSwOPXBdMOr4DyITzOyaIKJLqH9Oy-40&m=-QrGCWjnt9dPZPev23OfdA9HRBBXC1iSHeMNNCjt5RM&s=A4FRvIHct8h_iA1PKpb1pLHhMNORZ6vRN15XI6hpI5k&e= | https://urldefense.proofpoint.com/v2/url?u=http-3A__twitter.com_BlakesLaw&d=DwIGaQ&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=gV-xgZHI0tggSwOPXBdMOr4DyITzOyaIKJLqH9Oy-40&m=-QrGCWjnt9dPZPev23OfdA9HRBBXC1iSHeMNNCjt5RM&s=bI-GH3geYz8H122_42BR_aDcMYYJQKnH8lGgqenva50&e= | https://urldefense.proofpoint.com/v2/url?u=http-3A__www.blakes.com_English_Resources_Bulletins_Pages_unsubscribe.aspx&d=DwIGaQ&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=gV-xgZHI0tggSwOPXBdMOr4DyITzOyaIKJLqH9Oy-40&m=-QrGCWjnt9dPZPev23OfdA9HRBBXC1iSHeMNNCjt5RM&s=ko9V22NeKbnEMcpBFuzSVtWwSSvVOZxxjYVBohQiPhk&e=

Blake, Cassels & Graydon LLP | Barristers & Solicitors | Patent & Trade-mark Agents This email communication is CONFIDENTIAL AND LEGALLY PRIVILEGED. If you are not the intended recipient, please notify me at the telephone number shown above or by return email and delete this communication and any copy immediately. Thank you.

L'information paraissant dans ce message électronique est CONFIDENTIELLE. Si ce message vous est parvenu par erreur, veuillez immédiatement m'en aviser par téléphone ou par courriel et en détruire toute copie. Merci.

-----Original Message-----

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]

Sent: Friday, January 05, 2018 8:49 AM

To: Manning, Mike (OFA); Kandeepan, Ken (OFA); Strathy, Anna (OFA); Kwan, Ronald (OFA)

Cc: Thouin, Alena (ENERGY); Whitfield, Tobias P. (MOF); ASHBOURNE, STEPHEN

Subject: FW: EXTERNAL – Delivery of Reference Documentation to Province

As you know prior to the warehouse closing we were sent informally drafts of the reference documents as they developed. Since Dec 20th we have received no further drafts of these documents. I don't understand whether it is OPG's plan that they send final transactions documents today (10 days before) and then the Province has the right to object based on the parameters of "material effect" as defined in the Process Agreement. A draft of the investor presentation was circulated to the Province and some comments were being collected yesterday by Energy and the OFA.

"“Material Effect” means a material adverse effect on the obligations or the rights of the Province under the Limited Guarantee, the Change of Law Protection Agreement or this Agreement that relates to, and in each case, differs in any material respect from the terms or conditions applicable to any other Transaction Document that forms part of the Reference Documentation at the relevant time, the following: (i) the timing of or circumstances under which related payments would or may become due or accrue (including as a result of any default, acceleration, termination, wind-up, liquidation or realization) that, in each case, is inconsistent with the Fair Allocation Amount; (ii) the appointment, obligations or duties of OPG as the Manager; (iii) the existence, powers or authority of the Financing Entity or the Financing Entity Trustee; (iv) the obligations of the Indenture Trustee to or in respect of the Province as a Specified Creditor; (v) the payment provisions and associated priorities set forth in the Trust Indenture; (vi) compliance by the FSM with the then applicable Financing Plan; (vii) compliance by the FSM or the Financing Entity with the Act or the General Regulation; or (viii) the Province's rights of subrogation or assignment (including pursuant to Sections 1.05, 2.01 or 5.01 of the Change of Law Protection Agreement) or its interests as a subrogee or an assignee, that would arise as a result of performing the Limited Guarantee in respect of the applicable Primary Obligation."

Thanks,

Malle

-----Original Message-----

From: Hanslep, Malle (MOF)

Sent: January-05-18 8:40 AM

To: Ramchandani, Rima; Manning, Mike (OFA); Whitfield, Tobias P. (MOF); Strathy, Anna (OFA); Thouin, Alena (ENERGY); McLean, David (MOF); Strathy, Anna (OFA); Tekle, Jonathan (MOF); Kwan, Ronald (OFA); Hume, Steen (ENERGY); Christie, Tim (ENERGY)

Cc: LEE John -TREASURY; 'WONG Leslie -LAWDIV'; 'RYFA Ken -TREASURY'; 'LADAK Lubna -TREASURY'; 'LAURETA LAPIRA May -TREASURY'; Mansoori, Nina; Saulnier, Brett; Ramchandani, Rima

Subject: RE: EXTERNAL – Delivery of Reference Documentation to Province

Hi Rima,

I have a further question for clarification and perhaps it would make sense to have a call this morning. As you know we have not seen any further drafts of these documents since before the warehouse closing. Have all of these transaction documents now been done in final form? What is their status?

Thanks,

Malle

-----Original Message-----

From: Hanslep, Malle (MOF)

Sent: January-04-18 4:11 PM

To: Ramchandani, Rima; Manning, Mike (OFA); Whitfield, Tobias P. (MOF); Strathy, Anna (OFA); Thouin, Alena (ENERGY); McLean,

David (MOF); Strathy, Anna (OFA); Tekle, Jonathan (MOF); Kwan, Ronald (OFA); Hume, Steen (ENERGY); Christie, Tim (ENERGY)

Cc: LEE John -TREASURY; 'WONG Leslie -LAWDIV'; 'RYFA Ken -TREASURY'; 'LADAK Lubna -TREASURY'; 'LAURETA LAPIRA May -TREASURY'; Mansoori, Nina; Saulnier, Brett; Ramchandani, Rima

Subject: Re: EXTERNAL – Delivery of Reference Documentation to Province

Hi Rima

Thanks for the update. I think it would be helpful if you included Toby, Alena and myself on the email where you attach the documents in order to save time. Also it would be helpful if you include track changes versions as you suggest.

Thanks

Malle

Sent from my BlackBerry 10 smartphone on the Rogers network.

Original Message

From: Ramchandani, Rima

Sent: Thursday, January 4, 2018 15:17

To: Manning, Mike (OFA); Whitfield, Tobias P. (MOF); Strathy, Anna (OFA); Thouin, Alena (ENERGY); Hanslep, Malle (MOF); McLean, David (MOF); Strathy, Anna (OFA); Tekle, Jonathan (MOF); Kwan, Ronald (OFA); Hume, Steen (ENERGY); Christie, Tim (ENERGY)

Cc: LEE John -TREASURY; 'WONG Leslie -LAWDIV'; 'RYFA Ken -TREASURY'; 'LADAK Lubna -TREASURY'; 'LAURETA LAPIRA May -TREASURY'; Mansoori, Nina; Saulnier, Brett; Ramchandani, Rima

Subject: RE: EXTERNAL – Delivery of Reference Documentation to Province

Hi Malle, Alena and Toby, Happy New Year to all of you. John forwarded the email below and attached and asked that I connect with you and provide an update. I have included the business folks on this email to make sure we are all on the same page. As John notes below, we had been working towards being in a position to commence marketing for the term deal on January 15th but if marketing is pushed to January 22 or later, then a waiver of the 10 business day requirement should not be necessary. I will let our respective clients advise us on that point and we can come back to the logistics/process for obtaining a waiver should we need one.

We are planning on delivering the following additional reference documentation to the Province tomorrow:

(1) Supplemental Indenture for the Series 2018-1 Term Notes

(2) Supplemental Indenture for the Series 2018-1 Subordinated Term Notes

(3) Supplemental Indenture for the Series 2018-1 Junior Subordinated Term Notes

(4) Agency Agreement

(5) Offering Memorandum (including the investor presentation attached as an exhibit to the OM)

(6) Term Sheet supplementing the Offering Memorandum

As you may recall, under the change of law process agreement, all deliveries are required to be made by mail, fax or delivered by hand to each of the Ministers and Deputy Ministers of the MOF and the MOE. To comply with the agreement, we plan on hand delivering the above documents to each of the Ministers and Deputy Ministers tomorrow. We can also email all of these documents to all of you and anyone else you would like us to send these to (in addition to Scott Thompson, Gadi Mayman, Anna Strathy, David McLean, Jonathan Tekle, Mike Manning and Ken Kandeepan -- as requested in Ken's email below). I believe that earlier drafts of all of the term supplemental indentures and the agency agreement were previously circulated to you -- for ease of reference, please let us know if it would be helpful for us to include blacklines to the last versions we sent to you in the email.

Let us know if you agree with the above approach, and feel free to reach out if you have any questions or would like to discuss.

Malle, you had also asked about delivery of the documents from the warehouse closing -- closing books are in progress and we expect to have those ready for circulation next week. Again, in order to comply with the change of law process agreement, the electronic closing books will be delivered to the Ministers and Deputy Ministers of each of the MOF and MOE, but we are happy to also send a copy to others on your instruction.

Thanks,

Rima

Rima Ramchandani

P. 416.865.7666 | F. 416.865.7380 | 1.800.505.8679

Torys LLP

79 Wellington St. W., 30th Floor, Box 270, TD South Tower Toronto, Ontario M5K 1N2 Canada | www.torys.com

-----Original Message-----

From: LEE John -TREASURY

Sent: Thursday, January 04, 2018 12:18 PM

To: 'Ken Kandeepan' <Ken.Kandeepan@ofina.on.ca>

Cc: WONG Leslie -LAWDIV <leslie.wong@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Mike Manning <Mike.Manning@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; David McLean (MOF) <David.McLean@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Jonathan Tekle (CAB) <Jonathan.Tekle@ontario.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Steen Hume (CAB) <Steen.Hume@ontario.ca>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca>

Subject: RE: EXTERNAL – RE: Waiver Process

Ken/Steen:

We are operating under the assumption that it was the Province desire to execute the term deal as early as possible in 2018 which would involve a launch on the 15th. If the preference is now to adhere to the 10 business day requirement and not waive it we are happy to do so and commence marketing later in the month on the 22nd.

Please advise and we will adjust the work plan accordingly.

John

-----Original Message-----

From: Ken Kandeepan [mailto:Ken.Kandeepan@ofina.on.ca]

Sent: Thursday, January 04, 2018 9:36 AM

To: LEE John -TREASURY <john.s.lee@opg.com>

Cc: WONG Leslie -LAWDIV <leslie.wong@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Mike Manning <Mike.Manning@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; David McLean (MOF) <David.McLean@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Jonathan Tekle (CAB) <Jonathan.Tekle@ontario.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Steen Hume (CAB) <Steen.Hume@ontario.ca>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca>

Subject: EXTERNAL – RE: Waiver Process

*** Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email. ***

Hi John

I spoke to our DM's office and Scott's email is Scott.Thompson@ontario.ca. As required by the Process Agreement between the Province and OPG, pls forward the documents pertaining to the upcoming term deal by email to Scott with a cc to the following:

Gadi Mayman, Anna Strathy, David McLean (cc'ed above), Jonathan Tekle (also cc'ed above), Mike and myself.

Given that the Process Agreement requires OPG to also provide the same documents to MOE, I am cc'ing Steen and Tim so that they can inform their DM's Office as well.

With regard to the waiver, pls see Malle's comments below, it would also be useful if OPG were to provide a rationale as to why waiving the 10 business days requirement which may allow for term debt issuance in mid-January by the Trust is more beneficial than issuance either later in the same month or early February.

Thanks

Ken k

-----Original Message-----

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]

Sent: Wednesday, January 03, 2018 8:45 PM

To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; LEE John -TREASURY <john.s.lee@opg.com>

Cc: WONG Leslie -LAWDIV <leslie.wong@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Mike Manning <Mike.Manning@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>

Subject: Re: Waiver Process

It would be very helpful if OPG and Torys could provide to us a timetable and schedule for delivery of reference documents that are being prepared and when do we expect to get them and when is the proposed issuance. On that basis we can review the timing and determine whether a waiver will be necessary and if it is how it might be processed. Unfortunately we haven't received any updates or draft documents since the closing of the warehouse deal. Also is there a plan for distributing to the Province the documents from the warehouse closing?

Thanks

Malle

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Ken Kandeepan

Sent: Wednesday, January 3, 2018 20:04

To: LEE John -TREASURY

Cc: WONG Leslie -LAWDIV; LADAK Lubna -TREASURY; LAURETA LAPIRA May -TREASURY; RYFA Ken -TREASURY; Manning, Mike (OFA); Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); Strathy, Anna (OFA)

Subject: Re: Waiver Process

Thanks, didn't realize that all waivers have to be signed by the respective ministers, which as you know is difficult on an operational basis.

I am cc'ing our legal counsel to see if they have any suggestions.

Ken k

On Jan 3, 2018, at 5:57 PM, LEE John -TREASURY <john.s.lee@opg.com<mailto:john.s.lee@opg.com>> wrote:

Ken:

Given the importance of the Protection agreement and the desire to follow it to the "letter" ……see Torys comments below. Have you made provisions on the Province side to operationalize the delegation of waivers and amendments to facilitate the request. If not then the debt issuance date will get pushed out by the full 10 days.

Please advise.

John

From: Ramchandani, Rima [mailto:rramchandani@torys.com]

Sent: Wednesday, January 03, 2018 5:38 PM

To: LEE John -TREASURY <john.s.lee@opg.com<mailto:john.s.lee@opg.com>>

Cc: Feldman, Michael <mfeldman@torys.com<mailto:mfeldman@torys.com>>; WONG Leslie -LAWDIV <leslie.wong@opg.com<mailto:leslie.wong@opg.com>>; LADAK Lubna -TREASURY <lubna.ladak@opg.com<mailto:lubna.ladak@opg.com>>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com<mailto:may.lapira@opg.com>>; RYFA Ken -TREASURY <ken.ryfa@opg.com<mailto:ken.ryfa@opg.com>>; GO Matthew -TREASURY <matthew.go@opg.com<mailto:matthew.go@opg.com>>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com<mailto:j.hahnparker@opg.com>>

Subject: RE: EXTERNAL – RE: Diligence Questions

I should add that the waiver of the 10 BD requirement needs to be executed in writing by the Province (which means we will need signatures from each Minister). Will that be achievable? If not, perhaps we can proceed on the basis of an email waiver with the waiver signed by the Ministers to follow as soon as possible. Sorry but it is going to be a pain in the butt navigating through this agreement … hopefully the Province will realize that and agree to make some amendments!

Rima

Rima Ramchandani

P. 416.865.7666 | F. 416.865.7380 | 1.800.505.8679

From: Ramchandani, Rima

Sent: January-03-18 5:32 PM

To: 'LEE John -TREASURY' <john.s.lee@opg.com<mailto:john.s.lee@opg.com>>

Cc: Feldman, Michael <mfeldman@torys.com<mailto:mfeldman@torys.com>>; WONG Leslie -LAWDIV <leslie.wong@opg.com<mailto:leslie.wong@opg.com>>; LADAK Lubna -TREASURY <lubna.ladak@opg.com<mailto:lubna.ladak@opg.com>>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com<mailto:may.lapira@opg.com>>; RYFA Ken -TREASURY <ken.ryfa@opg.com<mailto:ken.ryfa@opg.com>>; GO Matthew -TREASURY <matthew.go@opg.com<mailto:matthew.go@opg.com>>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com<mailto:j.hahnparker@opg.com>>

Subject: RE: EXTERNAL – RE: Diligence Questions

OK. I assume the DM of Finance will sign off on behalf of the Minister of Finance. But what about the Minister of Energy? The agreement requires notices to both Ministers on behalf of the Province and I recall on the warehouse closing, we had to wait for a representative from each Ministry to sign off.

Rima

Rima Ramchandani

P. 416.865.7666

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]

Sent: January-03-18 5:24 PM

To: Ramchandani, Rima <rramchandani@torys.com<mailto:rramchandani@torys.com>>

Cc: Feldman, Michael <mfeldman@torys.com<mailto:mfeldman@torys.com>>; WONG Leslie -LAWDIV <leslie.wong@opg.com<mailto:leslie.wong@opg.com>>; LADAK Lubna -TREASURY <lubna.ladak@opg.com<mailto:lubna.ladak@opg.com>>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com<mailto:may.lapira@opg.com>>; RYFA Ken -TREASURY <ken.ryfa@opg.com<mailto:ken.ryfa@opg.com>>; GO Matthew -TREASURY <matthew.go@opg.com<mailto:matthew.go@opg.com>>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com<mailto:j.hahnparker@opg.com>>

Subject: RE: EXTERNAL – RE: Diligence Questions

I was speaking to Ken Kandeepan on the process this afternoon and he indicated to me that we should send the documents and the waiver request to the Deputy Minister of Finance with a cc. Gadi. Ken was going to send along the contact info for the DM of Finance and also alert their Office of the inbound email so they would not be surprised.

John

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

This email and any attachments are for the sole use of the intended recipients and may be privileged or confidential. Any distribution, printing or other use by anyone else is prohibited. If you are not an intended recipient, please contact the sender immediately, and permanently delete this email and attachments.

Le présent courriel et les documents qui y sont joints sont exclusivement réservés à l'utilisation des destinataires concernés et peuvent être de nature privilégiée ou confidentielle. Toute distribution, impression ou autre utilisation est interdite aux autres personnes. Si vous ne faites pas partie des destinataires concernés, veuillez en informer immédiatement l'expéditeur, ainsi que supprimer ce courriel et les documents joints de manière permanente.

From: John Kim
To: Ronald Kwan
Cc: Bruno Amara; Usman Zahid
Subject: Re: FHP Trust Offering
Date: Friday, February 09, 2018 9:15:52 PM

Very interesting. My guesstimate came true.

Sent from my iPhone

On Feb 9, 2018, at 9:06 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Hi,
>
> Note the weighted average.
>
> Ron
>
> Begin forwarded message:
>
> **From:** Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> **Date:** February 9, 2018 at 8:11:40 PM EST
> **To:** Mike Manning <Mike.Manning@ofina.on.ca>, Ronald Kwan <Ronald.Kwan@ofina.on.ca>, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
> **Cc:** Anna Strathy <Anna.Strathy@ofina.on.ca>, Usman Zahid <Usman.Zahid@ofina.on.ca>
> **Subject: Fwd: FHP Trust Offering**
>
> Begin forwarded message:
>
> **From:** "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>
> **Date:** February 9, 2018 at 7:14:05 PM EST
> **To:** "Orsini, Steve (CAB)" <Steve.Orsini@ontario.ca>
> **Cc:** "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, "Kwamena, Boafoa (CAB)" <Boafoa.Kwamena@ontario.ca>, "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
> **Subject: Re: FHP Trust Offering**

Steve,

Today OPG advised that the remainder of the debt is split between $382 million of “subordinated” debt at an interest rate of 3.637% and $98 million of “junior subordinated” debt at 3.957%.

The effective interest rate of 3.526% is the weighted average of these three series of debt (i.e., senior, subordinated and junior subordinated).

Sent from my iPad

On Feb 7, 2018, at 6:22 PM, Orsini, Steve (CAB) <Steve.Orsini@ontario.ca<mailto:Steve.Orsini@ontario.ca>> wrote:

Serge,

Thanks. Please let us know the outcome of your analysis.

From: Imbrogno, Serge (ENERGY)
Sent: February 7, 2018 6:21 PM
To: Orsini, Steve (CAB)
Cc: Davidson, Steven (CAB); Kwamena, Boafoa (CAB)
Subject: Re: FHP Trust Offering

Steve,

A number of inputs will vary over the thirty-year life of the GA refinancing program and will continue to be revised to reflect changing conditions (e.g., changes in interest rates).

The Ministry analysis underpinning the 2017 Fair Allocation Amount (FAA) included a 5.0% average interest rate over the life of the GA refinancing program (i.e., 30 years). Note: Navigant’s modelling of GA refinancing assumed an interest rate of 4.5%. In the development of the 2017 FAA the interest rate assumptions were revised to 5% based on consultations with OPG.

The announcement yesterday that OPG was able to secure an interest rate of 3.357% for the senior debt on its first issuance has a 15 year term and a value of $500

million.

OPG advises that the remainder of the debt is split between “subordinated” and “junior subordinated” debt. The effective interest rate will be the weighted average of these three series of debt (i.e., senior, subordinated and junior subordinated). OPG is expected to finalize the pricing for the subordinated and junior subordinated debt within the next 48 hours. The pricing will be based in part on the pricing of the senior series.

Sent from my iPad

On Feb 6, 2018, at 10:29 PM, Orsini, Steve (CAB) <Steve.Orsini@ontario.ca<mailto:Steve.Orsini@ontario.ca>> wrote:
Thanks Serge.

How does this compare to the costs assumed in the modelling?

From: Imbrogno, Serge (ENERGY)
Sent: February 6, 2018 2:36 PM
To: Orsini, Steve (CAB); Davidson, Steven (CAB)
Cc: Kwamena, Boafoa (CAB)
Subject: FHP Trust Offering

Hi Steve,

Not sure if you received an update already, but below is the result of the OPG Trust financing this afternoon for the OFHP:

- OPG has informed us that pricing has been confirmed at 3.357% and they financed $500m.

- This is 92 bps over GOC, so it is still the lowest cost.

- The OFA has confirmed that the issue was 23 bps over the Ontario curve.

OPG is providing a technical briefing for the media at 3:00.

From: John Kim
To: Shajee Kathirgamanathan; Gavin He
Cc: Bruno Amara
Subject: Re: FHP Trust Offering
Date: Friday, February 09, 2018 9:43:35 PM

So on average 40bps over Ontario vs 50 bps which was 4bn. Let me know what that translates to. My guess of 2.5bn. Let me know if anyone can crunch this out tomorrow morning.

Sent from my iPhone

On Feb 9, 2018, at 9:18 PM, John Kim <John.Kim@ofina.on.ca> wrote:

> FYI
>
> Sent from my iPhone
>
> Begin forwarded message:
>
> **From:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Date:** February 9, 2018 at 9:06:17 PM EST
> **To:** John Kim <John.Kim@ofina.on.ca>, Bruno Amara <Bruno.Amara@ofina.on.ca>
> **Cc:** Usman Zahid <Usman.Zahid@ofina.on.ca>
> **Subject: Fwd: FHP Trust Offering**
>
> Hi,
>
> Note the weighted average.
>
> Ron
>
> Begin forwarded message:
>
> **From:** Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> **Date:** February 9, 2018 at 8:11:40 PM EST
> **To:** Mike Manning <Mike.Manning@ofina.on.ca>, Ronald Kwan <Ronald.Kwan@ofina.on.ca>, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
> **Cc:** Anna Strathy <Anna.Strathy@ofina.on.ca>, Usman Zahid <Usman.Zahid@ofina.on.ca>
> **Subject: Fwd: FHP Trust Offering**

Begin forwarded message:

From: "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>
Date: February 9, 2018 at 7:14:05 PM EST
To: "Orsini, Steve (CAB)" <Steve.Orsini@ontario.ca>
Cc: "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, "Kwamena, Boafoa (CAB)" <Boafoa.Kwamena@ontario.ca>, "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
Subject: Re: FHP Trust Offering

Steve,

Today OPG advised that the remainder of the debt is split between $382 million of “subordinated” debt at an interest rate of 3.637% and $98 million of “junior subordinated” debt at 3.957%.

The effective interest rate of 3.526% is the weighted average of these three series of debt (i.e., senior, subordinated and junior subordinated).

Sent from my iPad

On Feb 7, 2018, at 6:22 PM, Orsini, Steve (CAB) <Steve.Orsini@ontario.ca<mailto:Steve.Orsini@ontario.ca>> wrote:

Serge,

Thanks. Please let us know the outcome of your analysis.

From: Imbrogno, Serge (ENERGY)
Sent: February 7, 2018 6:21 PM

To: Orsini, Steve (CAB)
Cc: Davidson, Steven (CAB); Kwamena, Boafoa (CAB)
Subject: Re: FHP Trust Offering

Steve,

A number of inputs will vary over the thirty-year life of the GA refinancing program and will continue to be revised to reflect changing conditions (e.g., changes in interest rates).

The Ministry analysis underpinning the 2017 Fair Allocation Amount (FAA) included a 5.0% average interest rate over the life of the GA refinancing program (i.e., 30 years). Note: Navigant's modelling of GA refinancing assumed an interest rate of 4.5%. In the development of the 2017 FAA the interest rate assumptions were revised to 5% based on consultations with OPG.

The announcement yesterday that OPG was able to secure an interest rate of 3.357% for the senior debt on its first issuance has a 15 year term and a value of $500 million.

OPG advises that the remainder of the debt is split between "subordinated" and "junior subordinated" debt. The effective interest rate will be the weighted average of these three series of debt (i.e., senior, subordinated and junior subordinated). OPG is expected to finalize the pricing for the subordinated and junior subordinated debt within the next 48 hours. The pricing will be based in part on the pricing of the senior series.

Sent from my iPad

On Feb 6, 2018, at 10:29 PM, Orsini, Steve (CAB) <Steve.Orsini@ontario.ca<mailto:Steve.Orsini@ontario.ca>> wrote:
Thanks Serge.

How does this compare to the costs assumed in the modelling?

From: Imbrogno, Serge (ENERGY)
Sent: February 6, 2018 2:36 PM
To: Orsini, Steve (CAB); Davidson, Steven (CAB)
Cc: Kwamena, Boafoa (CAB)
Subject: FHP Trust Offering

Hi Steve,

Not sure if you received an update already, but below is the result of the OPG Trust financing this afternoon for the OFHP:

- OPG has informed us that pricing has been confirmed at 3.357% and they financed $500m.

- This is 92 bps over GOC, so it is still the lowest cost.

- The OFA has confirmed that the issue was 23 bps over the Ontario curve.

OPG is providing a technical briefing for the media at 3:00.

From: John Kim
To: Ronald Kwan
Subject: Re: Fair Hydro Trust -- Term Closing
Date: Tuesday, April 24, 2018 9:06:05 PM

Sure, will do

Sent from my iPad

On Apr 24, 2018, at 6:33 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Hi John,
>
> Could you see if you can track this down. It might help with assessing the early info on future issuances too.
>
> Thanks,
> Ron
>
> Begin forwarded message:
>
> **From:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Date:** April 24, 2018 at 5:43:35 PM EDT
> **To:** Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> **Cc:** Anna Strathy <Anna.Strathy@ofina.on.ca>
> **Subject: Re: Fair Hydro Trust -- Term Closing**
>
> Hi Gadi,
>
> I passed on the email from John shortly after getting it, so he did not have that information. He was wondering if the survey provided on Friday was an incomplete sample at that time. I can see if he has had any success in getting a response.
>
> Ron
>
> ---
>
> **From:** Gadi Mayman
> **Sent:** April 24, 2018 5:40 PM

To: Ronald Kwan
Cc: Anna Strathy
Subject: Re: Fair Hydro Trust -- Term Closing

Thanks. Did we get an answer as to why they priced it at a spread of 51.2 bpts instead of the dealer survey indication of 46 bpts?

Gadi

On Apr 24, 2018, at 3:46 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Hi Gadi,
>
> FYI.
>
> Ron
>
> Begin forwarded message:
>
> **From:** John Kim <John.Kim@ofina.on.ca>
> **Date:** April 24, 2018 at 3:33:59 PM EDT
> **To:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Cc:** Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>, Gavin He <Gavin.He@ofina.on.ca>, Usman Zahid <Usman.Zahid@ofina.on.ca>
> **Subject: RE: Fair Hydro Trust -- Term Closing**
>
> Hi Ron,
>
> So the spread seems to have widened from the dealer survey information the day of the senior debt issue. It was around 46bps but now in the attached actual, the spread averaged to

51.2bps. [Using the dealer email indicating 32bps from Ontario which implied 3.2% for Ontario.]

The difference in interest paid widened to 2.48bn (from the earlier prelim number we had of 2.2bn based on dealer survey numbers]. Naturally, we can ask why it widened.

Attached spreadsheet provides additional details, if you're interested.

Also, related to Gadi's inquiry last week and we have the actual rates for the sub debt issues.

Thanks,

John

From: Ronald Kwan
Sent: Tuesday, April 24, 2018 2:30 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Fw: Fair Hydro Trust -- Term Closing

Hi,

Please review.

Ron

From: Anna Strathy
Sent: April 24, 2018 2:26 PM
To: Gadi Mayman; Ronald Kwan; Mike Manning; Ken Kandeepan
Cc: Usman Zahid; Opal Kandelas
Subject: FW: Fair Hydro Trust -- Term Closing

FYI

From: Krasic, Aida (MOF) [mailto:Aida.Krasic@ontario.ca]
Sent: Tuesday, April 24, 2018 1:06 PM
To: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Cc: David McLean (MOF) <David.McLean@ontario.ca>; Paul Dupuis (MOF) <Paul.Dupuis@ontario.ca>; Peter Spadoni (MCYS) <Peter.Spadoni@ontario.ca>; Cook, Karen (MOF) <Karen.Cook@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: Fair Hydro Trust -- Term Closing

Hello Male,

Please find attached fax that DMO received from TORYS LLP regarding the Fair Hydro Plan –Deliveries under Change of Law Process Agreement.

As per Paul's email from Feb 9th, I am copying all on this email as well.

Thanks

Aida

From: Dupuis, Paul (MOF)
Sent: February 9, 2018 10:35 AM
To: Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>
Cc: Krasic, Aida (MOF) <Aida.Krasic@ontario.ca>; McLean, David (MOF) <David.McLean@ontario.ca>; Spadoni, Peter (MOF) <Peter.Spadoni@ontario.ca>; Cook, Karen (MOF) <Karen.Cook@ontario.ca>
Subject: FW: Fair Hydro Trust -- Term Closing

This message has been archived. View the original item

Hi Malle,

As requested please see attached. I have also copied Karen Cook (MO Office Mgr) and Peter Spadoni (Mgr of MoF Correspondence) as it may have also been sent to their fax machines as it i

Attachments:

image001.jpg	(5 KB)
FAX-Recd-2018-02-09_Torys-LLP_Fair-Hydro-Plan_Chg-of-Law-Process-Agreement.pdf	(1.3 MB)

<OFHP supporting data for OFA_v0.1._EFB-FinancingPlanUpdate_v2.xlsx>

From: John Kim
To: Carlos Yep
Cc: Shajee Kathirgamanathan
Subject: Re: OPG senior debt
Date: Thursday, May 31, 2018 4:38:26 PM

So the 3.520% and 3.357%...what would they be with commission?

Sent from my iPhone

> On May 31, 2018, at 4:36 PM, Carlos Yep <Carlos.Yep@ofina.on.ca> wrote:
>
> John,
> No, the commission was not included. Commission on the 2038 bonds was $0.55
>
> 15May2033 $500M 3.357% priced on 06Feb2018 at GoC2033 + 91.9
> 15may2038 $400M 3.520% priced on 19Apr2018 at GoC2037 + 107.6
>
> Regards
> Carlos
>
> -----Original Message-----
> From: John Kim
> Sent: Thursday, May 31, 2018 4:24 PM
> To: Carlos Yep <Carlos.Yep@ofina.on.ca>
> Subject: OPG senior debt
>
> Hi Carlos,
>
> On April 24 and in February when the senior debt was issued, we got the rates at which the notes were issued. Would you know if the rate would be inclusive of commission or if not what the commission would be?
>
> I am offsite so cannot chat.
>
> John
>
> Sent from my iPhone
> <sg2018053159339.gif>
> <sg2018053159311.gif>

From: John Kim
To: Carlos Yep
Cc: Shajee Kathirgamanathan
Subject: Re: OPG senior debt
Date: Thursday, May 31, 2018 4:50:51 PM

Ok thanks. Will use 4bps

On the spread so you use comparable Canada with matching year, 2038 and 2033. I thought you used 30 yr bonds for spread.

Sent from my iPhone

> On May 31, 2018, at 4:46 PM, Carlos Yep <Carlos.Yep@ofina.on.ca> wrote:
>
> John
> I do not have the actual commissions for the 2033 bond but would guess about 4bps on either
>
> on the 2038 bond 55cents / 14.1y mod duration = 3.9bps
>
> BTW - I am also assuming that the bonds were priced at PAR ($100.000) therefor the yield equals the coupon
>
> C
>
> -----Original Message-----
> From: John Kim
> Sent: Thursday, May 31, 2018 4:38 PM
> To: Carlos Yep <Carlos.Yep@ofina.on.ca>
> Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
> Subject: Re: OPG senior debt
>
> So the 3.520% and 3.357%...what would they be with commission?
>
> Sent from my iPhone
>
>> On May 31, 2018, at 4:36 PM, Carlos Yep <Carlos.Yep@ofina.on.ca> wrote:
>>
>> John,
>> No, the commission was not included. Commission on the 2038 bonds was $0.55
>>
>> 15May2033 $500M 3.357% priced on 06Feb2018 at GoC2033 + 91.9
>> 15may2038 $400M 3.520% priced on 19Apr2018 at GoC2037 + 107.6
>>
>> Regards
>> Carlos
>>
>> -----Original Message-----
>> From: John Kim
>> Sent: Thursday, May 31, 2018 4:24 PM
>> To: Carlos Yep <Carlos.Yep@ofina.on.ca>
>> Subject: OPG senior debt
>>
>> Hi Carlos,
>>
>> On April 24 and in February when the senior debt was issued, we got the rates at which the notes were issued.

Would you know if the rate would be inclusive of commission or if not what the commission would be?
>>
>> I am offsite so cannot chat.
>>
>> John
>>
>> Sent from my iPhone
>> <sg2018053159339.gif>
>> <sg2018053159311.gif>

From: John Kim
To: Shajee Kathirgamanathan
Subject: Re: provincial borrowing rate
Date: Thursday, May 31, 2018 4:27:43 PM

Ok it will be tomorrow stuff given GAdi's inquiry

Sent from my iPhone

On May 31, 2018, at 4:24 PM, Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca> wrote:

> Thanks…Just in the nick of time…I was drafting the email.
>
> Just looking at the process certificate, there does seem to be information on the fees (Schedule D), but might be easier and more accurate if we (or someone at MOF/OFA) can reach out to OPG directly.
>
> I can take a closer look at this tomorrow… Just working on the other CO request now for EOD
>
> **Shajee Kathirgamanathan**
> Office: 416-325-1402 | Mobile: 647-294-3359
> shajee.kathirgamanathan@ofina.on.ca
>
> ---
>
> **From:** John Kim
> **Sent:** Thursday, May 31, 2018 4:13 PM
> **To:** Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
> **Subject:** Fwd: provincial borrowing rate
>
> Let's think about this before sending to Tim so hold for a bit
>
> Sent from my iPhone
>
> Begin forwarded message:
>
> > **From:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> > **Date:** May 31, 2018 at 2:16:20 PM EDT
> > **To:** John Kim <John.Kim@ofina.on.ca>
> > **Subject: FW: provincial borrowing rate**
> >
> > Hi John,
> >
> > What do you think? Can we add that in?
> >
> > Ron
> >
> > -----Original Message-----

From: Gadi Mayman
Sent: May-31-18 14:10
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: provincial borrowing rate

Thanks, Ron. I notice that the Ontario rates have a column that include commissions. Should we have a similar one for the FHP rates (at least the senior debt; I'm assuming that they don't pay commission on the sub)?

-----Original Message-----
From: Ronald Kwan
Sent: Thursday, May 31, 2018 1:56 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: FW: provincial borrowing rate

Hi Gadi,

FYI. Energy has asked for some Provincial borrowing rate data as context for planned periodic reports on FHP borrowing. Staff put together the attached.

Ron

-----Original Message-----
From: Ronald Kwan
Sent: May-31-18 13:34
To: John Kim <John.Kim@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: provincial borrowing rate

Thanks John. Looks fine, but would a little reformatting help?

Ron

-----Original Message-----
From: John Kim
Sent: May-31-18 12:16
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: FW: provincial borrowing rate

Hi Ron,

Pls. see attached proposed file to be sent over and the original communication below.

We base our numbers off of CFB's daily update files and have full backup saved with links within the file.

Thanks,

John

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Wednesday, May 30, 2018 1:16 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: provincial borrowing rate

ADM/DM here at the ministry. We want to use provincial borrowing information to provide context for the OFHP issuances.

On Wed, May 30, 2018 at 1:13 PM -0400, "Kim, John (OFA)" <John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:

Just a quick question....who would be the intended audience?

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:39 PM
To: John Kim
Subject: RE: provincial borrowing rate

No rush on this. Thanks for the help John.

-----Original Message-----
From: Kim, John (OFA) [mailto:John.Kim@ofina.on.ca]
Sent: May-29-18 4:37 PM
To: Christie, Tim (ENERGY)
Subject: RE: provincial borrowing rate

When do you need it by? Will aim for tomorrow or Thursday. I have it ready except the analyst in charge is away so will need some digging.

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:22 PM
To: John Kim
Subject: Re: provincial borrowing rate

I'd like issues for 2018 to date, as well as anything going forward

(we're planning to make it a monthly report).

On Tue, May 29, 2018 at 4:17 PM -0400, "Kim, John (OFA)" > wrote:

I think the OFA would be a pretty reliable source....but what do you need exactly? Just a point in time, as in - now or when the issues were done recently? Let me know and I should be able to help.

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:11 PM
To: John Kim
Subject: provincial borrowing rate

Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?

Tim

_____

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

<Letter to Province - Process Certificate.pdf>

<Re Fair Hydro Plan - Deliveries under Change of Law Process Agreement.pdf>

From: John Kim
To: Ronald Kwan
Subject: Re: provincial borrowing rate
Date: Thursday, May 31, 2018 4:23:58 PM

Sure checking now

Sent from my iPhone

> On May 31, 2018, at 4:20 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:
>
> Hi,
>
> Would you check with CMD if OPG shared that information.'
>
> Thanks,
> Ron
>
> -----Original Message-----
> From: John Kim
> Sent: May-31-18 16:19
> To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> Subject: Re: provincial borrowing rate
>
> I am not sure if we have that data. Wouldn't the senior debt rate inclusive of the commission? Or it'd be information energy can provide us with
>
> Sent from my iPhone
>
>> On May 31, 2018, at 2:16 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:
>>
>> Hi John,
>>
>> What do you think? Can we add that in?
>>
>> Ron
>>
>> -----Original Message-----
>> From: Gadi Mayman
>> Sent: May-31-18 14:10
>> To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
>> Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
>> Subject: RE: provincial borrowing rate
>>
>> Thanks, Ron. I notice that the Ontario rates have a column that include commissions. Should we have a similar one for the FHP rates (at least the senior debt; I'm assuming that they don't pay commission on the sub)?
>>
>> -----Original Message-----
>> From: Ronald Kwan
>> Sent: Thursday, May 31, 2018 1:56 PM
>> To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
>> Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
>> Subject: FW: provincial borrowing rate
>>
>> Hi Gadi,

>>
>> FYI. Energy has asked for some Provincial borrowing rate data as context for planned periodic reports on FHP borrowing. Staff put together the attached.
>>
>> Ron
>>
>> -----Original Message-----
>> From: Ronald Kwan
>> Sent: May-31-18 13:34
>> To: John Kim <John.Kim@ofina.on.ca>
>> Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
>> Subject: RE: provincial borrowing rate
>>
>> Thanks John. Looks fine, but would a little reformatting help?
>>
>> Ron
>>
>> -----Original Message-----
>> From: John Kim
>> Sent: May-31-18 12:16
>> To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
>> Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
>> Subject: FW: provincial borrowing rate
>>
>> Hi Ron,
>>
>> Pls. see attached proposed file to be sent over and the original communication below.
>>
>> We base our numbers off of CFB's daily update files and have full backup saved with links within the file.
>>
>> Thanks,
>>
>> John
>>
>> -----Original Message-----
>> From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
>> Sent: Wednesday, May 30, 2018 1:16 PM
>> To: John Kim <John.Kim@ofina.on.ca>
>> Subject: Re: provincial borrowing rate
>>
>> ADM/DM here at the ministry. We want to use provincial borrowing information to provide context for the OFHP issuances.
>>
>>
>>
>>
>> On Wed, May 30, 2018 at 1:13 PM -0400, "Kim, John (OFA)" <John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:
>>
>>
>> Just a quick question....who would be the intended audience?
>>
>> -----Original Message-----
>> From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
>> Sent: Tuesday, May 29, 2018 4:39 PM

>> To: John Kim
>> Subject: RE: provincial borrowing rate
>>
>> No rush on this. Thanks for the help John.
>>
>> -----Original Message-----
>> From: Kim, John (OFA) [mailto:John.Kim@ofina.on.ca]
>> Sent: May-29-18 4:37 PM
>> To: Christie, Tim (ENERGY)
>> Subject: RE: provincial borrowing rate
>>
>> When do you need it by? Will aim for tomorrow or Thursday. I have it ready except the analyst in charge is away so will need some digging.
>>
>> -----Original Message-----
>> From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
>> Sent: Tuesday, May 29, 2018 4:22 PM
>> To: John Kim
>> Subject: Re: provincial borrowing rate
>>
>> I'd like issues for 2018 to date, as well as anything going forward (we're planning to make it a monthly report).
>>
>>
>>
>>
>> On Tue, May 29, 2018 at 4:17 PM -0400, "Kim, John (OFA)" > wrote:
>>
>> I think the OFA would be a pretty reliable source....but what do you need exactly? Just a point in time, as in - now or when the issues were done recently? Let me know and I should be able to help.
>>
>>
>> From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
>> Sent: Tuesday, May 29, 2018 4:11 PM
>> To: John Kim
>> Subject: provincial borrowing rate
>>
>> Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?
>>
>> Tim
>>
>> _____
>>
>> This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.
>>

From: John Kim
To: Ronald Kwan
Subject: Re: provincial borrowing rate
Date: Thursday, May 31, 2018 4:18:50 PM

I am not sure if we have that data. Wouldn't the senior debt rate inclusive of the commission? Or it'd be information energy can provide us with

Sent from my iPhone

> On May 31, 2018, at 2:16 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:
>
> Hi John,
>
> What do you think? Can we add that in?
>
> Ron
>
> -----Original Message-----
> From: Gadi Mayman
> Sent: May-31-18 14:10
> To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
> Subject: RE: provincial borrowing rate
>
> Thanks, Ron. I notice that the Ontario rates have a column that include commissions. Should we have a similar one for the FHP rates (at least the senior debt; I'm assuming that they don't pay commission on the sub)?
>
> -----Original Message-----
> From: Ronald Kwan
> Sent: Thursday, May 31, 2018 1:56 PM
> To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
> Subject: FW: provincial borrowing rate
>
> Hi Gadi,
>
> FYI. Energy has asked for some Provincial borrowing rate data as context for planned periodic reports on FHP borrowing. Staff put together the attached.
>
> Ron
>
> -----Original Message-----
> From: Ronald Kwan
> Sent: May-31-18 13:34
> To: John Kim <John.Kim@ofina.on.ca>
> Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
> Subject: RE: provincial borrowing rate
>
> Thanks John. Looks fine, but would a little reformatting help?
>
> Ron
>
> -----Original Message-----

> From: John Kim
> Sent: May-31-18 12:16
> To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Shajee Kathirgamanathan
<Shajee.Kathirgamanathan@ofina.on.ca>
> Subject: FW: provincial borrowing rate
>
> Hi Ron,
>
> Pls. see attached proposed file to be sent over and the original communication below.
>
> We base our numbers off of CFB's daily update files and have full backup saved with links within the file.
>
> Thanks,
>
> John
>
> -----Original Message-----
> From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
> Sent: Wednesday, May 30, 2018 1:16 PM
> To: John Kim <John.Kim@ofina.on.ca>
> Subject: Re: provincial borrowing rate
>
> ADM/DM here at the ministry. We want to use provincial borrowing information to provide context for the OFHP issuances.
>
>
>
>
> On Wed, May 30, 2018 at 1:13 PM -0400, "Kim, John (OFA)"
<John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:
>
>
> Just a quick question....who would be the intended audience?
>
> -----Original Message-----
> From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
> Sent: Tuesday, May 29, 2018 4:39 PM
> To: John Kim
> Subject: RE: provincial borrowing rate
>
> No rush on this. Thanks for the help John.
>
> -----Original Message-----
> From: Kim, John (OFA) [mailto:John.Kim@ofina.on.ca]
> Sent: May-29-18 4:37 PM
> To: Christie, Tim (ENERGY)
> Subject: RE: provincial borrowing rate
>
> When do you need it by? Will aim for tomorrow or Thursday. I have it ready except the analyst in charge is away so will need some digging.
>
> -----Original Message-----
> From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
> Sent: Tuesday, May 29, 2018 4:22 PM
> To: John Kim
> Subject: Re: provincial borrowing rate

>
> I'd like issues for 2018 to date, as well as anything going forward (we're planning to make it a monthly report).
>
>
>
>
> On Tue, May 29, 2018 at 4:17 PM -0400, "Kim, John (OFA)" > wrote:
>
> I think the OFA would be a pretty reliable source....but what do you need exactly? Just a point in time, as in - now or when the issues were done recently? Let me know and I should be able to help.
>
>
> From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
> Sent: Tuesday, May 29, 2018 4:11 PM
> To: John Kim
> Subject: provincial borrowing rate
>
> Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?
>
> Tim
>
> _____
>
> This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.
>

From: Christie, Tim (ENERGY)
To: John Kim
Subject: Re: provincial borrowing rate
Date: Wednesday, May 30, 2018 1:16:35 PM

ADM/DM here at the ministry. We want to use provincial borrowing information to provide context for the OFHP issuances.

On Wed, May 30, 2018 at 1:13 PM -0400, "Kim, John (OFA)" <John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:

Just a quick question....who would be the intended audience?

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:39 PM
To: John Kim
Subject: RE: provincial borrowing rate

No rush on this. Thanks for the help John.

-----Original Message-----
From: Kim, John (OFA) [mailto:John.Kim@ofina.on.ca]
Sent: May-29-18 4:37 PM
To: Christie, Tim (ENERGY)
Subject: RE: provincial borrowing rate

When do you need it by? Will aim for tomorrow or Thursday. I have it ready except the analyst in charge is away so will need some digging.

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:22 PM
To: John Kim
Subject: Re: provincial borrowing rate

I'd like issues for 2018 to date, as well as anything going forward (we're planning to make it a monthly report).

On Tue, May 29, 2018 at 4:17 PM -0400, "Kim, John (OFA)" > wrote:

I think the OFA would be a pretty reliable source....but what do you need exactly? Just a point in time, as in - now or when the issues were done recently? Let me know and I should be able to help.

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:11 PM
To: John Kim
Subject: provincial borrowing rate

Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?

Tim

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Ronald Kwan
To: John Kim
Subject: Re: provincial borrowing rate
Date: Wednesday, May 30, 2018 8:37:22 AM

Hi,

Internal practice?

Ron

> On May 30, 2018, at 8:15 AM, John Kim <John.Kim@ofina.on.ca> wrote:
>
> Hi Ron,
>
> The first one on February 9 was 15 years and the second one on April 24 was for 20 years. Both times, the practice was to compare [spread] versus Ontario 30 year rates.
>
> Thanks,
>
> John
>
> -----Original Message-----
> From: Ronald Kwan
> Sent: Tuesday, May 29, 2018 5:30 PM
> To: John Kim <John.Kim@ofina.on.ca>
> Subject: RE: provincial borrowing rate
>
> Hi John,
>
> What tenures has OPG borrowed at so far?
>
> Ron
>
> -----Original Message-----
> From: John Kim
> Sent: May-29-18 17:25
> To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> Subject: RE: provincial borrowing rate
>
> I believe we go with the 30 yr rates. I would recommend we do it and provide the data so we are on the same page (and not have different areas having different numbers). Also, relationship managing being my focus.
>
> I will talk to Tim on the intended use.
>
> John
>
> -----Original Message-----
> From: Ronald Kwan
> Sent: Tuesday, May 29, 2018 5:20 PM
> To: John Kim <John.Kim@ofina.on.ca>
> Subject: RE: provincial borrowing rate
>
> Hi John,
>

> Assuming Energy is looking for indicative provincial borrowing rates, not actual issuance amounts and rates each month, as the actual terms likely do not match FHP issuance terms? And some interpolation estimation would be required? Would we want to do that, or let it be Energy making such estimations?
>
> And, as discussed, what would be the intended use of the report be, and audience?
>
> Thanks,
> Ron
>
> -----Original Message-----
> From: John Kim
> Sent: May-29-18 16:41
> To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> Subject: FW: provincial borrowing rate
>
> Fyi
>
> -----Original Message-----
> From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
> Sent: Tuesday, May 29, 2018 4:22 PM
> To: John Kim <John.Kim@ofina.on.ca>
> Subject: Re: provincial borrowing rate
>
> I'd like issues for 2018 to date, as well as anything going forward (we're planning to make it a monthly report).
>
>
>
>
> On Tue, May 29, 2018 at 4:17 PM -0400, "Kim, John (OFA)"
<John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:
>
> I think the OFA would be a pretty reliable source....but what do you need exactly? Just a point in time, as in - now or when the issues were done recently? Let me know and I should be able to help.
>
>
> From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
> Sent: Tuesday, May 29, 2018 4:11 PM
> To: John Kim <John.Kim@ofina.on.ca>
> Subject: provincial borrowing rate
>
> Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?
>
> Tim
>
> _____
>
> This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Christie, Tim (ENERGY)
To: John Kim
Subject: Re: provincial borrowing rate
Date: Tuesday, May 29, 2018 4:22:24 PM

I'd like issues for 2018 to date, as well as anything going forward (we're planning to make it a monthly report).

On Tue, May 29, 2018 at 4:17 PM -0400, "Kim, John (OFA)" <John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:

I think the OFA would be a pretty reliable source….but what do you need exactly? Just a point in time, as in – now or when the issues were done recently? Let me know and I should be able to help.

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, May 29, 2018 4:11 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: provincial borrowing rate

Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?

Tim

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: John Kim
To: Tim Christie (ENERGY)
Subject: Re: provincial borrowing rate
Date: Thursday, May 31, 2018 4:29:36 PM

We should be ready tomorrow.

Sent from my iPhone

> On May 30, 2018, at 1:16 PM, Christie, Tim (ENERGY) <Tim.Christie@ontario.ca> wrote:
>
> ADM/DM here at the ministry. We want to use provincial borrowing information to provide context for the OFHP issuances.
>
>
>
>
> On Wed, May 30, 2018 at 1:13 PM -0400, "Kim, John (OFA)" <John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>> wrote:
>
>
> Just a quick question....who would be the intended audience?
>
> -----Original Message-----
> From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
> Sent: Tuesday, May 29, 2018 4:39 PM
> To: John Kim
> Subject: RE: provincial borrowing rate
>
> No rush on this. Thanks for the help John.
>
> -----Original Message-----
> From: Kim, John (OFA) [mailto:John.Kim@ofina.on.ca]
> Sent: May-29-18 4:37 PM
> To: Christie, Tim (ENERGY)
> Subject: RE: provincial borrowing rate
>
> When do you need it by? Will aim for tomorrow or Thursday. I have it ready except the analyst in charge is away so will need some digging.
>
> -----Original Message-----
> From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
> Sent: Tuesday, May 29, 2018 4:22 PM
> To: John Kim
> Subject: Re: provincial borrowing rate
>
> I'd like issues for 2018 to date, as well as anything going forward (we're planning to make it a monthly report).
>
>
>
>
> On Tue, May 29, 2018 at 4:17 PM -0400, "Kim, John (OFA)" > wrote:
>
> I think the OFA would be a pretty reliable source....but what do you need exactly? Just a point in time, as in - now or when the issues were done recently? Let me know and I should be able to help.

>
>
> From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
> Sent: Tuesday, May 29, 2018 4:11 PM
> To: John Kim
> Subject: provincial borrowing rate
>
> Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?
>
> Tim
>
> _____
>
> This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.
>

From: Christie, Tim (ENERGY)
To: John Kim
Subject: provincial borrowing rate
Date: Tuesday, May 29, 2018 4:11:20 PM

Hi John, we're preparing an OFHP tracking document and we'd like to include a comparison of FHP issuances to provincial borrowing. Do you know of a reliable public source for recent Ontario government bond issuances? Or could we get that from the OFA?

Tim